

## Risk Factors Comparison 2025-03-31 to 2024-04-25 Form: 10-K

**Legend:** **New Text** ~~Removed Text~~ Unchanged Text **Moved Text** Section

Risks Related to Our Business and Structure Our auditors have issued a going concern opinion on our audited financial statements. Although our audited financial statements for the year ended December 31, ~~2023~~ **2024** were prepared under the assumption that we would continue our operations as a going concern, the report of our independent registered public accounting firm that accompanies our financial statements for the year ended December 31, ~~2023~~ **2024** contains a going concern qualification in which such firm expressed substantial doubt about our ability to continue as a going concern, based on the financial statements at that time. We have generated losses since inception and have relied on cash on hand, sales of securities, external bank lines of credit, and issuance of third- party and related party debt to support cashflow from operations. **As of December 31, 2024, we had cash and cash equivalents of \$ 2, 502, 450, restricted cash of \$ 1, 358, 968 and a total working capital deficit of \$ 111, 927, 759.** For the year ended December 31, ~~2023~~ **2024**, we incurred ~~a net~~ **an operating** loss of \$ ~~11, 998, 244~~ **31.6 million (before deducting losses attributable to non-controlling interests)** and ~~used~~ **used** cash flows ~~used in operations~~ **- operating activities** of \$ ~~7.5 million~~ **14, 635, 636**. Notwithstanding the foregoing, management believes, based on our operating plan, that current working capital and current and expected additional financing is sufficient to fund operations and satisfy our obligations as they come due for at least one year from the financial statement issuance date. However, we do believe additional funds are required to execute our business plan and our strategy of acquiring additional businesses. The funds required to execute our business plan will depend on the size, capital structure and purchase price consideration that the seller of a target business deems acceptable in a given transaction. The amount of funds needed to execute our business plan also depends on what portion of the purchase price of a target business the seller of that business is willing to take in the form of seller notes or our equity or equity in one of our subsidiaries. Although we do not believe that we will require additional cash to continue our operations over the next twelve months, there are no assurances that we will be able to raise our revenues to a level which supports profitable operations and provides sufficient funds to pay obligations in the future. Our prior losses have had, and will continue to have, an adverse effect on our financial condition. In addition, continued operations and our ability to acquire additional businesses may be dependent on our ability to obtain additional financing in the future, and there are no assurances that such financing will be available to us at all or will be available in sufficient amounts or on reasonable terms. Our financial statements do not include any adjustments that may result from the outcome of this uncertainty. If we are unable to generate additional funds in the future through our operations, financings or from other sources or transactions, we will exhaust our resources and will be unable to continue operations. If we cannot continue as a going concern, our shareholders would likely lose most or all of their investment in us. We may not be able to effectively integrate the businesses that we acquire. Our ability to realize the anticipated benefits of acquisitions will depend on our ability to integrate those businesses with our own. The combination of multiple independent businesses is a complex, costly and time- consuming process and there can be no assurance that we will be able to successfully integrate businesses into our business, or if such integration is successfully accomplished, that such integration will not be costlier or take longer than presently contemplated. Integration of future acquisitions may include various risks and uncertainties, including the factors discussed in the paragraph below. If we cannot successfully integrate and manage the businesses within a reasonable time, we may not be able to realize the potential and anticipated benefits of such acquisitions, which could have a material adverse effect on our share price, business, cash flows, results of operations and financial position. We will consider other acquisitions that we believe will complement, strengthen and enhance our growth. We evaluate opportunities on a preliminary basis from time to time, but these transactions may not advance beyond the preliminary stages or be completed. Such acquisitions are subject to various risks and uncertainties, including: ● the inability to integrate effectively the operations, products, technologies and personnel of the acquired companies (some of which are in diverse geographic regions) and achieve expected synergies; ● the potential disruption of existing business and diversion of management's attention from day- to- day operations; ● the inability to maintain uniform standards, controls, procedures and policies; ● the need or obligation to divest portions of the acquired companies; ● the potential failure to identify material problems and liabilities during due diligence review of acquisition targets; ● the potential failure to obtain sufficient indemnification rights to fully offset possible liabilities associated with acquired businesses; and ● the challenges associated with operating in new geographic regions. Our future success is dependent on the employees of our manager, our manager's operating partners and the management team of our business, the loss of any of whom could materially adversely affect our financial condition, business and results of operations. Our future success depends, to a significant extent, on the continued services of the employees of our manager. The loss of their services may materially adversely affect our ability to manage the operations of our businesses. The employees of our manager may leave our manager and go to companies that compete with us in the future. In addition, we depend on the assistance provided by our manager's operating partners in evaluating, performing diligence on and managing our businesses. The loss of any employees of our manager or any of our manager's operating partners may materially adversely affect our ability to implement or maintain our management strategy or our acquisition strategy. The future success of our existing and future businesses also depends on the respective management teams of those businesses because we intend to operate our businesses on a stand- alone basis, primarily relying on their existing management teams for day- to- day operations. Consequently, their operational success, as well as the success of any organic growth strategy, will be dependent on the continuing efforts of the management teams of our businesses. We will seek to provide these individuals with equity incentives and to have employment agreements with certain persons we have identified as key to their businesses. However, these measures may not prevent these individuals from leaving their employment. The loss of services of

one or more of these individuals may materially adversely affect our financial condition, business and results of operations. We may experience difficulty as we evaluate, acquire and integrate businesses that we may acquire, which could result in drains on our resources, including the attention of our management, and disruptions of our on- going business. We acquire small businesses in various industries. Generally, because such businesses are privately held, we may experience difficulty in evaluating potential target businesses as much of the information concerning these businesses is not publicly available. Therefore, our estimates and assumptions used to evaluate the operations, management and market risks with respect to potential target businesses may be subject to various risks and uncertainties. Further, the time and costs associated with identifying and evaluating potential target businesses and their industries may cause a substantial drain on our resources and may divert our management team’ s attention away from the operations of our businesses for significant periods of time. In addition, we may have difficulty effectively integrating and managing acquisitions. The management or improvement of businesses we acquire may be hindered by a number of factors, including limitations in the standards, controls, procedures and policies implemented in connection with such acquisitions. Further, the management of an acquired business may involve a substantial reorganization of the business’ operations resulting in the loss of employees and customers or the disruption of our ongoing businesses. We may experience greater than expected costs or difficulties relating to an acquisition, in which case, we might not achieve the anticipated returns from any particular acquisition. We face competition for businesses that fit our acquisition strategy and, therefore, we may have to acquire targets at sub- optimal prices or, alternatively, forego certain acquisition opportunities. We have been formed to acquire and manage small businesses. In pursuing such acquisitions, we expect to face strong competition from a wide range of other potential purchasers. Although the pool of potential purchasers for such businesses is typically smaller than for larger businesses, those potential purchasers can be aggressive in their approach to acquiring such businesses. Furthermore, we expect that we may need to use third- party financing in order to fund some or all of these potential acquisitions, thereby increasing our acquisition costs. To the extent that other potential purchasers do not need to obtain third- party financing or are able to obtain such financing on more favorable terms, they may be in a position to be more aggressive with their acquisition proposals. As a result, in order to be competitive, our acquisition proposals may need to be aggressively priced, including at price levels that exceed what we originally determined to be fair or appropriate. Alternatively, we may determine that we cannot pursue on a cost- effective basis what would otherwise be an attractive acquisition opportunity. We may not be able to successfully fund acquisitions due to the unavailability of debt or equity financing on acceptable terms, which could impede the implementation of our acquisition strategy. In order to make acquisitions, we intend to raise capital primarily through debt financing, primarily at our operating company level, additional equity offerings, the sale of equity or assets of our businesses, offering equity in our company or our businesses to the sellers of target businesses or by undertaking a combination of any of the above. Because the timing and size of acquisitions cannot be readily predicted, we may need to be able to obtain funding on short notice to benefit fully from attractive acquisition opportunities. Such funding may not be available on acceptable terms. In addition, the level of our indebtedness may impact our ability to borrow at our company level. The sale of additional shares of any class of equity will also be subject to market conditions and investor demand for such shares at prices that may not be in the best interest of our shareholders. These risks may materially adversely affect our ability to pursue our acquisition strategy. We may change our management and acquisition strategies without the consent of our shareholders, which may result in a determination by us to pursue riskier business activities. We may change our strategy at any time without the consent of our shareholders, which may result in our acquiring businesses or assets that are different from, and possibly riskier than, the strategy described in this prospectus report . A change in our strategy may increase our exposure to interest rate and currency fluctuations, subject us to regulation under the Investment Company Act of 1940, as amended, or which we refer to as the Investment Company Act, or subject us to other risks and uncertainties that affect our operations and profitability. If we are unable to generate sufficient cash flow from the anticipated dividends and interest payments that we expect to receive from our businesses, we may not be able to make distributions to our shareholders. Our primary business is the holding and managing of controlling interests in our operating businesses. Therefore, we will be dependent upon the ability of our businesses to generate cash flows and, in turn, distribute cash to us in the form of interest and principal payments on indebtedness and distributions on equity to enable us, first, to satisfy our financial obligations and, second, to make distributions to our common shareholders. The ability of our businesses to make payments to us may also be subject to limitations under the laws of the jurisdictions in which they are incorporated or organized. If, as a consequence of these various restrictions or otherwise, we are unable to generate sufficient cash flow from our businesses, we may not be able to declare, or may have to delay or cancel payment of, distributions to our common shareholders. In addition, the put price and profit allocation will be payment obligations and, as a result, will be senior in right to the payment of any distributions to our shareholders. Further, we are required to make a profit allocation to our manager upon satisfaction of applicable conditions to payment. See Item 1 “ Business — Our Manager — Our Manager as an Equity Holder ” for more information about our manager’ s put right and profit allocation. Our loans with third parties contain certain terms that could materially adversely affect our financial condition. We and our subsidiaries are parties to certain loans with third parties, which are secured by the assets of our subsidiaries. The loans agreements contain customary representations, warranties and affirmative and negative financial and other covenants. If an event of default were to occur under any of these loans, the lender thereto may pursue all remedies available to it, including declaring the obligations under its respective loan immediately due and payable, which could materially adversely affect our financial condition. See Item 7 “ Management’ s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources ” for further discussion regarding our borrowing activities. In the future, we may seek to enter into other credit facilities to help fund our acquisition capital and working capital needs. These credit facilities may expose us to additional risks associated with leverage and may inhibit our operating flexibility and reduce cash flow available for payment of distributions to our shareholders. We may seek to enter into other credit facilities with third- party lenders to help fund our acquisitions. Such credit facilities will likely require us to pay a commitment fee on the undrawn amount and will likely contain a number of affirmative and restrictive

covenants. If we violate any such covenants, our lenders could accelerate the maturity of any debt outstanding and we may be prohibited from making any distributions to our shareholders. Such debt may be secured by our assets, including the stock we may own in businesses that we acquire and the rights we have under intercompany loan agreements that we may enter into with our businesses. Our ability to meet our debt service obligations may be affected by events beyond our control and will depend primarily upon cash produced by businesses that we currently manage and may acquire in the future and distributed or paid to us. Any failure to comply with the terms of our indebtedness may have a material adverse effect on our financial condition. In addition, we expect that such credit facilities will bear interest at floating rates which will generally change as interest rates change. We will bear the risk that the rates that we are charged by our lenders will increase faster than we can grow the cash flow from our businesses or businesses that we may acquire in the future, which could reduce profitability, materially adversely affect our ability to service our debt, cause us to breach covenants contained in our third- party credit facilities and reduce cash flow available for distribution. We may engage in a business transaction with one or more target businesses that have relationships with our executive officers, our directors, our manager, our manager's employees or our manager's operating partners, or any of their respective affiliates, which may create or present conflicts of interest. We may decide to engage in a business transaction with one or more target businesses with which our executive officers, our directors, our manager, our manager's employees, our manager's operating partners, or any of their respective affiliates, have a relationship, which may create or present conflicts of interest. Regardless of whether we obtain a fairness opinion from an independent investment banking firm with respect to such a transaction, conflicts of interest may still exist with respect to a particular acquisition and, as a result, the terms of the acquisition of a target business may not be as advantageous to our shareholders as it would have been absent any conflicts of interest. The operational objectives and business plans of our businesses may conflict with our operational and business objectives or with the plans and objective of another business we own and operate. Our businesses operate in different industries and face different risks and opportunities depending on market and economic conditions in their respective industries and regions. A business' operational objectives and business plans may not be similar to our objectives and plans or the objectives and plans of another business that we own and operate. This could create competing demands for resources, such as management attention and funding needed for operations or acquisitions, in the future. If, in the future, we cease to control and operate our businesses or other businesses that we acquire in the future or engage in certain other activities, we may be deemed to be an investment company under the Investment Company Act. We have the ability to make investments in businesses that we will not operate or control. If we make significant investments in businesses that we do not operate or control, or that we cease to operate or control, or if we commence certain investment- related activities, we may be deemed to be an investment company under the Investment Company Act. Our decision to sell a business will be based upon financial, operating and other considerations rather than a plan to complete a sale of a business within any specific time frame. If we were deemed to be an investment company, we would either have to register as an investment company under the Investment Company Act, obtain exemptive relief from the SEC, or modify our investments or organizational structure or our contract rights to fall outside the definition of an investment company. Registering as an investment company could, among other things, materially adversely affect our financial condition, business and results of operations, materially limit our ability to borrow funds or engage in other transactions involving leverage and require us to add directors who are independent of us or our manager and otherwise will subject us to additional regulation that will be costly and time- consuming. [The impact of geopolitical conflicts may..... disruption in the credit and capital markets](#). We have identified material weaknesses in our internal control over financial reporting. If we fail to develop or maintain an effective system of internal controls, we may not be able to accurately report our financial results and prevent fraud. As a result, current and potential shareholders could lose confidence in our financial statements, which would harm the trading price of our common shares. Companies that file reports with the SEC, including us, are subject to the requirements of Section 404 of the Sarbanes- Oxley Act of 2002, or SOX 404. SOX 404 requires management to establish and maintain a system of internal control over financial reporting and annual reports on Form 10- K filed under the **Securities Exchange Act of 1934, as amended, or the Exchange Act**, to contain a report from management assessing the effectiveness of a company's internal control over financial reporting. Separately, under SOX 404, as amended by the Dodd- Frank Wall Street Reform and Consumer Protection Act of 2010, public companies that are large accelerated filers or accelerated filers must include in their annual reports on Form 10- K an attestation report of their regular auditors attesting to and reporting on management's assessment of internal control over financial reporting. Non- accelerated filers and smaller reporting companies, like us, are not required to include an attestation report of their auditors in annual reports. A report of our management is included under Item 9A. " Controls and Procedures. " We are a smaller reporting company and, consequently, are not required to include an attestation report of our auditor in our annual report. However, if and when we become subject to the auditor attestation requirements under SOX 404, we can provide no assurance that we will receive a positive attestation from our independent auditors. During its evaluation of the effectiveness of internal control over financial reporting as of December 31, **2023-2024**, management identified material weaknesses as described under Item 9A. " Controls and Procedures. " We are undertaking remedial measures, which measures will take time to implement and test, to address these material weaknesses. There can be no assurance that such measures will be sufficient to remedy the material weaknesses identified or that additional material weaknesses or other control or significant deficiencies will not be identified in the future. If we continue to experience material weaknesses in our internal controls or fail to maintain or implement required new or improved controls, such circumstances could cause us to fail to meet our periodic reporting obligations or result in material misstatements in our financial statements, or adversely affect the results of periodic management evaluations and, if required, annual auditor attestation reports. Each of the foregoing results could cause investors to lose confidence in our reported financial information and lead to a decline in our share price. Risks Related to Our Construction Business The loss of any of our key customers could have a materially adverse effect on our results of operations. Historically, a few long- term recurring contractor customers have accounted for a majority of our revenues. There can be no assurance that we will maintain or improve the

relationships with those customers. Our major customers often change each period based on when a given order is placed. If we cannot maintain long- term relationships with major customers or replace major customers from period to period with equivalent customers, the loss of such sales could have an adverse effect on our business, financial condition and results of operations. Our business primarily relies on U. S. home improvement, repair and remodel and new home construction activity levels, all of which are impacted by risks associated with fluctuations in the housing market. Downward changes in the general economy, the housing market or other business conditions could adversely affect our results of operations, cash flows and financial condition. Our business primarily relies on home improvement, repair and remodel and new home construction activity levels in the United States. The housing market is sensitive to changes in economic conditions and other factors, such as the level of employment, access to labor, consumer confidence, consumer income, availability of financing and interest rate levels. Adverse changes in any of these conditions generally, or in any of the markets where we operate, including due to the global pandemic, could decrease demand and could adversely impact our businesses by: causing consumers to delay or decrease homeownership; making consumers more price conscious resulting in a shift in demand to smaller, less expensive homes; making consumers more reluctant to make investments in their existing homes, including large kitchen and bath repair and remodel projects; or making it more difficult to secure loans for major renovations. Increases in interest rates and the reduced availability of financing for home improvements may cause our sales and profitability to decrease. In general, demand for home improvement products may be adversely affected by increases in interest rates and the reduced availability of financing. Also, trends in the financial industry which influence the requirements used by lenders to evaluate potential buyers can result in reduced availability of financing. If interest rates or lending requirements increase and consequently, the ability of prospective buyers to finance purchases of home improvement products is adversely affected, our business, financial condition and results of operations may also be adversely impacted and the impact may be material. Our **construction custom carpentry** business is subject to seasonal and other periodic fluctuations, and affected by factors beyond our control, which may cause our sales and operating results to fluctuate significantly. Our **construction custom carpentry** business is subject to seasonal fluctuations. We believe that we can more effectively control and balance our direct labor resources and costs during seasonal variations in our **construction custom carpentry** business, depending on the dynamics of the market served. However, extreme winter weather conditions can have an adverse effect on appointments and installations, which typically occur during our fourth and first quarters and can also negatively affect our net sales and operating results. In addition, sales and revenues may decline in the fourth quarter due to the holiday season. Difficulties in recruiting adequate personnel may have a material adverse effect on our ability to meet our growth expectations. In order to fulfill our growth expectations, we must recruit, hire, train and retain qualified sales and installation personnel. In particular, during the pandemic, we may experience greater difficulty in fulfilling our personnel needs since our employees are not able to work remotely for installations. When new construction and remodeling are on the rise, recruiting independent contractors to perform our installations becomes more difficult. There can be no assurance that we will have sufficient contractors or employees to fulfill our installation requirements. Our inability to fulfill our personnel needs could have a material adverse effect on our ability to meet our growth expectations. Increases in the cost of labor, union organizing activity and work stoppages at our facilities or the facilities of our suppliers could materially affect our financial performance. Our business is labor intensive, and, as a result, our financial performance is affected by the availability of qualified personnel and the cost of labor. Currently, none of our employees are represented by labor unions. Strikes or other types of conflicts with personnel could arise or we may become a target for union organizing activity. Some of our direct and indirect suppliers have unionized **work forces/workforces**. Strikes, work stoppages or slowdowns experienced by these suppliers could result in slowdowns or closures of facilities where components of our products are manufactured. Any interruption in the production of our products could reduce sales of our products and increase our costs. In the event of a catastrophic loss of our key manufacturing facility, our business would be adversely affected. While we maintain insurance covering our facility, including business interruption insurance, a catastrophic loss of the use of all or a portion of our manufacturing facility due to accident, labor issues, weather conditions, natural disaster or otherwise, whether short or long-term, could have a material adverse effect on us. The nature of our **constructions custom carpentry** business exposes us to product liability, workmanship warranty, casualty, negligence, construction defect, breach of contract and other claims and legal proceedings. We are subject to product liability, workmanship warranty, casualty, negligence, construction defect, breach of contract and other claims and legal proceedings relating to the products we install or manufacture that, if adversely determined, could adversely affect our financial condition, results of operations and cash flows. We rely on manufacturers and other suppliers to provide us with most of the products we install. Other than for products manufactured by Kyle' s **and the custom work at CMD**, we generally do not have direct control over the quality of such products manufactured or supplied by such third- party suppliers. As such, we are exposed to risks relating to the quality of such products. In the event that any of our products prove to be defective, we may be required to recall or redesign such products, which would result in significant unexpected costs. We are also exposed to potential claims arising from the conduct of our employees and contractors, for which we may be contractually liable. We have in the past been, and may in the future be, subject to penalties and other liabilities in connection with injury or damage incurred in conjunction with the installation of our products. In addition, our contracts, particularly those with large single- family and multi- family homebuilders, contain certain performance and installation schedule requirements. Many factors, some of which our outside of our control, may affect our ability to meet these requirements, including shortages of material or skilled labor, unforeseen engineering problems, work stoppages, weather interference, floods, unanticipated cost increases, and legal or political challenges. If we do not meet these requirements, we may be subject to liquidated damages or other penalties, as well as claims for breach of contract. Product liability, workmanship warranty, casualty, negligence, construction defect, breach of contract and other claims and legal proceedings can be expensive to defend and can divert the attention of management and other personnel for significant periods of time, regardless of the ultimate outcome. In addition, lawsuits relating to construction defects typically have statutes of limitations that can run as long

as ten years. Claims of this nature could also have a negative impact on customer confidence in us and our services. Although we currently maintain what we believe to be suitable and adequate insurance, we may be unable to maintain such insurance on acceptable terms or such insurance may not provide adequate protection against potential liabilities. In addition, some liabilities may not be covered by our insurance. Current or future claims could have a material adverse effect on our reputation, business, financial condition and results of operations. If we are unable to compete successfully with our competitors, our financial condition and results of operations may be harmed. We operate in a highly fragmented and very competitive industry. Our competitors include national and local **door, trim, and** carpentry manufacturers. These can be large, consolidated operations which house their manufacturing facilities in large and efficient plants, as well as relatively small, local cabinetmakers. Although we believe that we have superior name and reputation of direct marketing of custom designed carpentry, **doors and millwork**, we compete with numerous competitors in our primary markets in which we operate, with reputation, price, workmanship and services being the principal competitive factors. Some of our competitors have achieved substantially more market penetration in certain of the markets in which we operate. Some of our competitors have greater resources available and are less highly leveraged, which may provide them with greater financial flexibility. We also compete against retail chains, including Sears, Costco, Builders Square, Sam's Warehouse Club and other stores, which offer similar products and services through licensees. We compete, to a lesser extent, with small home improvement contractors and with large "home center" retailers such as Home Depot and Lowes. As a result of the implementation of our business strategy to conduct more remodel, condo / multi-family, and commercial projects in the new construction markets, we anticipate that we will compete to a greater degree with large "home center" retailers. To remain competitive, we will need to invest continuously in manufacturing, customer service and support, marketing and our dealer network. We may have to adjust the prices of some of our products to stay competitive, which would reduce our revenues or harm our financial condition and results of operations. We may not have sufficient resources to continue to make such investments or maintain our competitive position within each of the markets we serve. We have historically depended on a limited number of third parties to supply key finished goods and raw materials to us. Failure to obtain a sufficient supply of these finished goods and raw materials in a timely fashion and at reasonable costs could significantly delay our delivery of products, which would cause us to breach our sales contracts with our customers. We have historically purchased certain key finished goods and raw materials, such as pre-manufactured doors, cabinets, countertops, lumber and hardware, from a limited number of suppliers. We purchased finished goods and raw materials on the basis of purchase orders. In the absence of firm and long-term contracts, we may not be able to obtain a sufficient supply of these finished goods and raw materials from our existing suppliers or alternates in a timely fashion or at a reasonable cost. If we fail to secure a sufficient supply of key finished goods and raw materials in a timely fashion, it would result in a significant delay in our delivery of products, which may cause us to breach our sales contracts with our customers. Furthermore, failure to obtain a sufficient supply of these finished goods and raw materials at a reasonable cost could also harm our revenue and gross profit margins. Increased prices for finished goods or raw materials could increase our cost of revenues and decrease demand for our products, which could adversely affect our revenue or profitability. Our profitability is affected by the prices of the finished goods and raw materials used in the manufacturing and sale of our products. These prices may fluctuate based on a number of factors beyond our control, including, among others, changes in supply and demand, general economic conditions, labor costs, competition, import duties, tariffs, currency exchange rates and, in some cases, government regulation. Increased prices could adversely affect our profitability or revenues. We do not have long-term supply contracts for finished goods and raw materials; however, we enter into pricing agreements with certain customers which fix their pricing for specified periods ranging from one to twelve months. Significant increases in the prices of finished goods and raw materials could adversely affect our profit margins, especially if we are not able to recover these costs by increasing the prices we charge our customers for our products. **Changes to U. S. trade policy, tariff and import / export regulations may adversely affect our operating results. The United States has recently enacted and / or proposed to enact significant new tariffs on goods imported from numerous countries, including China, Mexico and Canada. Additionally, President Trump has directed various federal agencies to further evaluate key aspects of U. S. trade policy and there has been ongoing discussion and commentary regarding potential significant changes to U. S. trade policies, treaties and tariffs. There continues to exist significant uncertainty about the future relationship between the U. S. and other countries with respect to such trade policies, treaties and tariffs. While CMD and Kyle's purchase most of their materials from domestic suppliers, much of the wood used in such materials originates from Canada. Innovative Cabinets purchases products from South Vietnam. If the U. S. continues to impose new tariffs, this may cause supply chain disruptions and could further escalate our costs. We may determine to increase our sales prices in order to pass these increased costs to our customers. Kyle's has a short lead-time (30 days) and bids projects based on material costs, lowering the risk to profitability. CMD has a longer lead-time (6 to 24 months) and has allowances in its contracts for change-orders if costs increase, allowing for CMD to recover most of the cost increases created by economic factors. However, in the event we determine to pass increased costs to our customers, our customers may reduce their orders from us, which could negatively affect our business, profitability and operating results. We are closely monitoring these developments and evaluating strategies to mitigate potential impacts. Furthermore, as a result of policy changes and government proposals, there may be greater restrictions and economic disincentives on international trade in general. The new tariffs and other changes in U. S. trade policy could trigger retaliatory actions by affected countries, and foreign governments have instituted or are considering imposing trade sanctions on U. S. goods. Such changes have the potential to adversely impact the U. S. economy or sectors thereof, our industry and the demand for our products, and as a result, could have a negative impact on our business, financial condition and results of operations.** Interruptions in deliveries of finished goods and raw materials could adversely affect our revenue or profitability. Our dependency upon regular deliveries from particular suppliers means that interruptions or stoppages in such deliveries could adversely affect our operations until arrangements with alternate suppliers could be made. If any of our suppliers were unable to

deliver finished goods and raw materials to us for an extended period of time, as the result of financial difficulties, catastrophic events affecting their facilities or other factors beyond our control, or if we were unable to negotiate acceptable terms for the supply of finished goods and raw materials with these or alternative suppliers, our business could suffer. We may not be able to find acceptable alternatives, and any such alternatives could result in increased costs for us. Even if acceptable alternatives are found, the process of locating and securing such alternatives might be disruptive to our business. Extended unavailability of a necessary finished good or raw material could cause us to cease manufacturing or selling one or more of our products for a period of time. Environmental requirements applicable to our facilities may impose significant environmental compliance costs and liabilities, which would adversely affect our results of operations. Our facilities are subject to numerous federal, state and local laws and regulations relating to pollution and the protection of the environment, including those governing **air** emissions ~~to air~~, discharges to water, storage, treatment and disposal of waste, remediation of contaminated sites and protection of worker health and safety. We believe we are in substantial compliance with all applicable requirements. However, our efforts to comply with environmental requirements do not remove the risk that we may be held liable, or incur fines or penalties, and that the amount of liability, fines or penalties may be material, for, among other things, releases of hazardous substances occurring on or emanating from current or formerly owned or operated properties or any associated offsite disposal location, or for contamination discovered at any of our properties from activities conducted by previous occupants. Changes in environmental laws and regulations or the discovery of previously unknown contamination or other liabilities relating to our properties and operations could result in significant environmental liabilities. In addition, we might incur significant capital and other costs to comply with increasingly stringent air emission control laws and enforcement policies which would decrease our cash flow. We may fail to fully realize the anticipated benefits of our growth strategy within the multi-family, **tract home**, and commercial properties channels. Part of our growth strategy depends on expanding our business in the multi-family and commercial properties channels. We may fail to compete successfully against other companies that are already established providers within those channels. Demand for our products within the multi-family, **tract home**, and commercial properties channels may not grow, or might even decline. In addition, trends within the industry change often, we may not accurately gauge consumer preferences and successfully develop, manufacture and market our products. Our failure to anticipate, identify or react to changes in these trends could lead to, among other things, rejection of a new product line, reduced demand and price reductions for our products, and could adversely affect our sales. Further, the implementation of our growth strategy may place additional demands on our administrative, operational and financial resources and may divert management's attention away from our existing business and increase the demands on our financial systems and controls. If our management is unable to effectively manage growth, our business, financial condition or results of operations could be adversely affected. If our growth strategy is not successful then our revenue and earnings may not grow as anticipated or may decline, we may not be profitable, or our reputation and brand may be damaged. In addition, we may change our financial strategy or other components of our overall business strategy if we believe our current strategy is not effective, if our business or markets change, or for other reasons, which may cause fluctuations in our financial results.

**Risks Related to Our Eyewear Products - Automotive Supply Business** If we **fail** are unable to **offer** successfully introduce new products, develop our brands, and maintain a broad selection of products at competitive prices or fail to maintain sufficient inventory to meet customer demands, our revenue could decline. In order to expand our business, we must successfully offer, on a continuous basis, a broad selection of products that meet the needs of our customers, including by being the first to market with new products. In addition, to be successful, our product offerings must be broad and deep in scope, competitively priced, well-made, innovative and attractive to a wide range of consumers. We cannot predict with certainty that we will be successful in offering products that meet all of these requirements. Moreover, even if we offer a broad selection of products at competitive prices, we must maintain sufficient in-stock inventory to meet consumer demand. If our product offerings fail to satisfy our customers' requirements or respond to changes in customer preferences or we otherwise fail to maintain sufficient in-stock inventory, our revenue could decline. **We The price categories of the reader glasses and sunglasses markets in which we compete are highly dependent upon key suppliers** particularly vulnerable to changes in fashion trends and consumer preferences. Our historical success is attributable, in part, to our introduction of unique designs, interesting patterns, and creative marketing, which are perceived to represent an improvement over eyeglasses and accessory **interruption in such relationships or our ability to obtain** products **from** . Our future success will depend on our continued ability to develop and introduce such innovative products and continued success in building our brands. If we are unable to continue to do so, our future sales could decline, inventory levels could rise, leading to additional costs for storage and potential write-downs relating to the value of excess inventory, and there could be a negative impact on production costs since fixed costs would represent a larger portion of total production costs due to the decline in quantities produced, which could materially adversely affect our results of operations. If vision correction alternatives to OTC eyeglasses become more widely available, or consumer preferences for such alternatives increase, our profitability could suffer through a reduction of sales of our reader eyewear products, including lenses and accessories. Our business could be negatively impacted by the availability and acceptance of vision correction alternatives to OTC or reader eyeglasses, such as contact lenses and refractive optical surgery. Increased use of vision correction alternatives could result in decreased use of our reader eyewear products, including a reduction of sales of lenses and accessories sold in our retail outlets, which could have a material adverse impact on our business, results of operations, financial condition and prospects. Our business depends on our ability to build and maintain strong brands. We may not be able to maintain and enhance our brands if we receive unfavorable customer complaints, negative publicity, or otherwise fail to live up to consumers' expectations, which could materially adversely affect our business, results of operations and growth prospects. Maintaining and enhancing our brands is critical to expanding our base of customers and suppliers . Our ability to maintain and enhance our brand depends largely on our ability to maintain customer confidence in our product and service offerings. If customers do not have a satisfactory shopping experience, they may seek out alternative offers from our competitors and may not return to our displays and retail sites as often in the future, or at all. In addition, unfavorable

publicity regarding, for example, our practices relating to privacy and data protection, product quality, delivery problems, competitive pressures, litigation or regulatory activity, could seriously harm our reputation. Such negative publicity also could have an adverse effect on the size, engagement, and loyalty of our customer base and result in decreased revenue, which could adversely affect our business and **results of operations. In 2024 and 2023, Wolo purchased a substantial portion of finished goods from five third-party vendors which comprised 52.0% and 81.3% of its purchases, respectively. Our ability to acquire products from our suppliers in amounts and on terms acceptable to us is dependent upon a number of factors that could affect our suppliers and which are beyond our control. For example, financial or operational difficulties that some of our suppliers** results. In addition, maintaining and enhancing these eyeglass product brands may **face could result in** require us to make substantial investments, and **an increase in these-- the** investments may not be successful **cost of the products we purchase from them** . If we **do not** fail to promote and maintain our brands, **relationships with or our existing suppliers** if we incur excessive expenses in this effort, our **or develop relationships with new suppliers** business, operating results and financial condition may be materially adversely affected. We anticipate that, as our market becomes increasingly competitive, maintaining and enhancing our brands may become increasingly difficult and expensive. Maintaining and enhancing our brands will depend largely on **acceptable commercial terms** our ability to provide high quality products to our customers and a reliable, trustworthy, and profitable sales channel to our suppliers, which we may not be able to do successfully. **continue to offer a broad selection of merchandise at competitive prices and, as a result, we could lose** Customer **customers** complaints and or our negative publicity about our sites, **sales could decline. We also have limited control over the** products **that** , delivery times, customer data handling and security practices or **our** customer support, especially on blogs, social media websites and our sites, could rapidly and severely diminish consumer use of our sites and consumer and supplier **suppliers purchase** confidence in us and result in harm to our **or** brands **keep in stock** . Our **suppliers** efforts to expand our business into new brands, products, services, technologies, and geographic regions will subject us to additional business, legal, financial, and competitive risks and may not **accurately forecast the products that will** be successful **in high demand or they may allocate popular products to other resellers, resulting in the unavailability of certain products for delivery to our customers** . Our **Any inability to offer a broad array of products at competitive prices and any failure to deliver those products to our customers in a timely and accurate manner may damage our reputation and brand and could cause us to lose customers and our sales could decline. In addition, the increasing consolidation among auto parts suppliers may disrupt or end our relationship with some suppliers, result in product shortages and / or lead to less competition and, consequently, higher prices. Furthermore, as part of our routine** business , **suppliers** success depends to some extent **extend credit to us in connection with our purchase of their products. In the future, our suppliers may limit the amount of credit they are willing to extend to us in connection with our purchase of their products. If this were to occur, it could impair our ability to acquire the types and quantities of products that we desire from the applicable suppliers** on **acceptable terms, severely impact our liquidity and capital resources, limit** our ability to **operate** expand our customer offerings by launching new brands, which may include new eyewear designs, new eyewear accessories, or **our business** personal care products, and by expanding our existing offerings into new retail locations and geographies. Launching new brands and products or expanding geographically requires significant upfront investments, including investments in marketing, information technology, and additional personnel. We may not be able to generate satisfactory revenue from these efforts to offset the costs of such expansions. Any lack of market acceptance of our efforts to launch new brands and services or to expand our existing offerings could have a material adverse effect on our business, prospects, financial condition , and results of operations . Further, as we continue to expand our fulfillment capability or add new businesses with different requirements, our logistics networks become increasingly complex and operating them becomes more challenging. There can be no assurance that we will be able to operate our networks effectively. We have also entered and may continue to enter new markets in which we have limited or no experience, which may not be successful or appealing to our customers. For instance, in 2020, we entered the personal care products industry by providing and selling surgical face masks as well as N95 face masks to support the demand due to the COVID-19 pandemic. This, and other similar activities may present new and difficult technological and logistical challenges, and resulting service disruptions, failures or other quality issues may cause customer dissatisfaction and harm our reputation and brand. Further, our current and potential competitors in new market segments may have greater brand recognition, financial resources, longer operating histories and larger customer bases than we do in these areas. As a result, we may not be successful enough in these newer areas to recoup our investments in them. If this occurs, our business, financial condition and operating results may be materially adversely affected. The loss of any of our key customers could have a materially adverse effect on our results of operations. Historically, a few long-term recurring customers have accounted for the majority of our revenues. For the year ended December 31, 2023, approximately 63% of our eyewear product revenues were from sales to customers from our retail agreement with Target. There can be no assurance that we will maintain or improve the relationships with those customers or retailers. Our major customers often change each period based on when a given order is placed. If we cannot maintain long-term relationships with major customers, lose our contract to sell retail eyewear and eyewear accessories at Target, or replace major customers from period to period with equivalent customers, the loss of such sales could have an adverse effect on our business, financial condition and results of operations. If we fail to acquire new customers or retain existing customers, or fail to do so in a cost-effective manner, we may not be able to achieve profitability. Our success depends on our ability to acquire and retain customers and maintain our relationships with retailers in a cost-effective manner. If we fail to deliver a quality shopping experience, or if consumers do not perceive the products we offer to be of high value and quality, we may not be able to acquire new customers. If we are unable to acquire new customers who purchase products in numbers sufficient to grow our business, we may not be able to generate the scale necessary to drive beneficial network effects with our suppliers or efficiencies in our logistics network, our net revenue may decrease, and our business, financial condition and operating results may be materially adversely affected. If our efforts to satisfy our existing

customers are not successful, we may not be able to acquire new customers in sufficient numbers to continue to grow our business, or we may be required to incur significantly higher marketing expenses in order to acquire new customers. We are dependent upon relationships with manufacturers, including many located in Taiwan and China, which exposes us to complex regulatory regimes and logistical challenges. **All Most** of our manufacturing is outsourced to contract manufacturers, including many located in China and Taiwan, resulting in additional factors could interrupt our relationships or affect our ability to acquire the necessary products on acceptable terms, including: • political, social and economic instability and the risk of war or other international incidents in Asia or abroad; • fluctuations in foreign currency exchange rates that may increase our cost of products; • imposition of duties, taxes, tariffs or other charges on imports; • difficulties in complying with import and export laws, regulatory requirements and restrictions; • natural disasters and public health emergencies, such as the recent COVID-19 pandemic; • import shipping delays resulting from foreign or domestic labor shortages, slow-downs, or stoppage; and • the failure of local laws to provide a sufficient degree of protection against infringement of our intellectual property; • imposition of new legislation relating to import quotas or other restrictions that may limit the quantity of our products that may be imported into the U. S. from countries or regions where we do business; • financial or political instability in any of the countries in which our products are manufactured; • potential recalls or cancellations of orders for any products that do not meet our quality standards; • disruption of imports by labor disputes or strikes and local business practices; • political or military conflict involving the U. S. or any country in which our suppliers are located, which could cause a delay in the transportation of our products, an increase in transportation costs and additional risk to products being damaged and delivered on time; • heightened terrorism security concerns, which could subject imported goods to additional, more frequent or more thorough inspections, leading to delays in deliveries or impoundment of goods for extended periods; • inability of our non-U. S. suppliers to obtain adequate credit or access liquidity to finance their operations; and • our ability to enforce any agreements with our foreign suppliers. If we were unable to import products from China and Taiwan or were unable to import products from China and Taiwan in a cost-effective manner, we could suffer irreparable harm to our business and be required to significantly curtail our operations, file for bankruptcy or cease operations. From time to time, we may also have to resort to administrative and court proceedings to enforce our legal rights with foreign suppliers. However, it may be more difficult to evaluate the level of legal protection we enjoy in Taiwan and China and the corresponding outcome of any administrative or court proceedings than in comparison to our suppliers in the United States. **Possible The United States has recently enacted and / or proposed to enact significant new tariffs that might be imposed by the United States government could have a material adverse effect on our results-goods imported from numerous countries, including China, and most recently, the Trump Administration announced a 25 % tariff on imports of operations automobiles and auto parts. Changes in Additionally, President Trump has directed various federal agencies to further evaluate key aspects of U. S. trade policy and foreign governments' there has been ongoing discussion and commentary regarding potential significant changes to U. S. trade policies have resulted in, treaties and may continue to result in, tariffs on imports into and exports from, There continues to exist significant uncertainty about the future relationship between** the U. S., among other restrictions. Throughout 2018 and 2019, the U. S. imposed tariffs on imports from several countries, including China. If further tariffs are imposed on imports of our products, or retaliatory trade measures are taken by China or other countries in response **with respect to existing or future such trade policies, treaties and tariffs. Approximately 90 % of our vendor base is located in China. If the U. S. continues to impose new tariffs, this may cause supply chain disruptions and could further escalate our costs. We may determine to increase our sales prices in order to pass these increased costs to our customers. In the event we determine** could be forced to **pass increased costs to raise prices on all of our imported products or our customers make changes to our operations, any of our customers may reduce their orders from us, which could negatively affect materially harm our revenue or our business, profitability and operating results. Any additional future tariffs or quotas imposed on our products or related materials may impact our sales, gross margin and profitability if we are unable to pass increased prices on to our customers. We are closely monitoring** highly dependent upon key suppliers and an interruption in such relationships or our ability to obtain products from such suppliers could adversely affect our business and the results of operations. In 2023 and 2022, we purchased a substantial portion of finished goods from four third-party vendors which comprised 94 % and 92 % of our purchases, respectively. Our ability to acquire products from our suppliers in amounts and on terms acceptable to us is dependent upon a number of factors that could affect our suppliers and which are beyond our control. For example, financial or operational difficulties that some of our suppliers may face could result in an increase in the cost of the products we purchase from them. We also do not have any exclusive contracts with our suppliers. If we do not maintain our relationships with our existing suppliers or develop relationships with new suppliers on acceptable commercial terms, we may not be able to continue to offer a broad selection of merchandise at competitive prices and, as a result, we could lose customers and our sales could decline. We also have limited control over the products that our suppliers purchase or keep in stock. Our suppliers may not accurately forecast the products that will be in high demand, or they may allocate popular products to other resellers, resulting in the unavailability of certain products for delivery to our customers. Any inability to offer a broad array of products at competitive prices and any failure to deliver those products to our customers in a timely and accurate manner may damage our reputation and brand and could cause us to lose customers and our sales could decline. Furthermore, as part of our routine business, suppliers extend credit to us in connection with our purchase of their products. In the future, our suppliers may limit the amount of credit they are willing to extend to us in connection with our purchase of their products. If this were to occur, it could impair our ability to acquire the types and quantities of products that we desire from the applicable suppliers on acceptable terms, severely impact our liquidity and capital resources, limit our ability to operate our business and could have a material adverse effect on our financial condition and results of operations. We may be unable to source new suppliers or strengthen our relationships with current suppliers. During the year ended December 31, 2023, four main suppliers represented approximately 94 % of our product purchases. Our agreements with suppliers are generally terminable at will by either party upon short notice. If we do not maintain our existing

relationships or build new relationships with suppliers on acceptable commercial terms, we may not be able to maintain a broad selection of merchandise, and our business and prospects would suffer severely. In order to attract quality suppliers, we must: ● demonstrate our ability to help our suppliers increase their sales; ● offer suppliers a high quality, cost-effective fulfillment process; and ● continue to provide suppliers with a dynamic and real-time view of our demand and inventory needs. If we are unable to provide our suppliers with a compelling return on investment and an ability to increase their sales, we may be unable to maintain and/or expand our supplier network, which would negatively impact our business. Increased prices and interruptions in deliveries for finished goods or raw materials could increase our cost of revenues and decrease demand for our products, which could adversely affect our revenue or profitability. Our profitability is affected by the prices of the finished goods and raw materials used in the manufacturing and sale of our products. These prices may fluctuate based on a number of factors beyond our control, including, among others, changes in supply and demand, general economic conditions, labor costs, competition, import duties, tariffs, currency exchange rates and, in some cases, government regulation. Increased prices could adversely affect our profitability or revenues. We do not have long-term supply contracts for finished goods and raw materials. Significant increases in the prices of finished goods and raw materials could adversely affect our profit margins, especially if we are not able to recover these **developments and evaluating strategies to mitigate potential impacts** costs by increasing the prices we charge our customers for our products. We depend on third-party delivery services, for both inbound and outbound shipping, to deliver our products to our distribution centers and subsequently to our **retail partners and** customers on a timely and consistent basis, and any deterioration in our relationship with any one of these third parties or increases in the fees that they charge could harm our reputation and adversely affect our business and financial condition. We rely on third parties for the shipment of our products, both inbound and outbound shipping logistics, and we cannot be sure that these relationships will continue on terms favorable to us, or at all. Shipping costs have increased from time to time, and may continue to increase, and we may not be able to pass these costs directly to our customers. Any increased shipping costs could harm our business, prospects, financial condition and results of operations by increasing our costs of doing business and reducing gross margins which could negatively affect our operating results. In addition, we utilize a variety of shipping methods for both inbound and outbound logistics. For inbound logistics, we rely on trucking, **and** ocean carriers, **and** air carriers and any increases in fees that they charge could adversely affect our business and financial condition. For outbound logistics, we rely on “Less-than-Truckload” and parcel freight based upon the product and quantities being shipped and customer delivery requirements. These outbound freight costs have increased on a year-over-year basis and may continue to increase in the future. **We also ship a number of oversized auto parts which may trigger additional shipping costs by third-party delivery services. Any increases in fees or any increased use of “Less-than-Truckload” shipping would increase our shipping costs which could negatively affect our operating results.** In addition, if our relationships with these third parties are terminated or impaired, or if these third parties are unable to deliver products for us, whether due to labor shortage, slow down or stoppage, deteriorating financial or business condition, responses to terrorist attacks or for any other reason, we would be required to use alternative carriers for the shipment of products to our customers. Changing carriers could have a negative effect on our business and operating results due to reduced visibility of order status and package tracking and delays in order processing and product delivery, and we may be unable to engage alternative carriers on a timely basis, upon terms favorable to us, or at all. If commodity prices such as fuel, plastic and steel increase, our margins may be negatively impacted. Our third-party delivery services have increased fuel surcharges from time to time, and such increases negatively impact our margins, as we are generally unable to pass all of these costs directly on to consumers. Increasing prices in the component materials for the parts we sell may impact the availability, the quality and the price of our products, as suppliers search for alternatives to existing materials and increase the prices they charge. We cannot ensure that we can recover all the increased costs through price increases, and our suppliers may not continue to provide the consistent quality of product as they may substitute lower cost materials to maintain pricing levels, all of which may have a negative impact on our business and results of operations. If we are unable to manage the challenges associated with our international operations, the growth of our business could be limited and our business could suffer. **In addition to our relationships with foreign suppliers, we have contracts with sales representatives from fifteen regional sales companies in North America, Mexico, Puerto Rico, the U. K., Europe, the Middle East and the industrial aftermarket. We are subject to a number of risks and challenges that specifically relate to our international operations. Our international operations may not be successful if we are unable to meet and overcome these challenges** event of a catastrophic loss of our key distribution facility, **which could limit the growth of** our business **would be limit the growth of our business** and may have an adverse effect on our business and operating results. These risks and challenges include: ● difficulties and costs of staffing and managing foreign operations; ● restrictions imposed by local labor practices and laws on our business and operations; ● exposure to different business practices and legal standards; ● unexpected changes in regulatory requirements; ● the imposition of government controls and restrictions; ● political, social and economic instability and the risk of war, terrorist activities or other international incidents; ● the failure of telecommunications and connectivity infrastructure; ● natural disasters and public health emergencies; ● potentially adverse tax consequences; and ● fluctuations in foreign currency exchange rates and relative weakness in the U.S. dollar. **The impact of geopolitical conflicts may adversely affect our business and results of operations. We acquire finished goods in regions outside the United States, including China. As a result, our operations are affected. While by economic, political and other conditions in the foreign countries in which we maintain insurance covering our facility do business as well as U. S. laws regulating international trade. Specifically, instability in the geopolitical environment in many parts of the world ( including as business interruption insurance, a result catastrophic loss of the on-going Russia and Ukraine war, the conflict between Israel and Hamas and increasingly tense China- Taiwan relations) and the other use disruptions may continue to put pressure on global economic conditions. Notably, approximately 90 % of all or our vendor base is located in China and supply chain a portion of our distribution facility, due to accident, labor issues, weather conditions, natural disaster or otherwise, whether short or long-term, have**

**escalated shipping costs in recent years. Our inability to respond to and manage the potential impact of such events effectively** could have a material adverse effect on **put pressure on global economic conditions.** Notably, approximately 90 % of Wolo's vendor base is located in China and supply chain issues have escalated shipping costs by over 400 % from 2020. In addition, all of ICU Eyewear's manufacturing is outsourced to contract manufacturers, including many located in China and Taiwan. Asien's has also experienced ongoing supply chain delays and cost increases with appliance manufacturers. Our inability to respond to and manage the potential impact of such events effectively could have a material adverse effect on our business, financial condition, and results of operations. In addition, countries across the globe are instituting sanctions and other penalties against Russia and are becoming more wary of China. While we do not have operations in, and do not obtain products from, Russia or Ukraine, the retaliatory measures that have been taken, and could be taken in the future, by the U.S., NATO, and other countries have created global security concerns that could result in broader European military and political conflicts and otherwise have a substantial impact on regional and global economies, any or all of which could adversely affect our business. While the broader consequences are uncertain at this time, the continuation and / or escalation of the Russian and Ukraine conflict or the Israel and Hamas conflict, along with any expansion of the conflict to surrounding areas, create a number of risks that could adversely impact our business, including: ● increased inflation and significant volatility in commodity prices; ● disruptions to our technology infrastructure, including through cyberattacks, ransom attacks or cyber-intrusion; ● adverse changes in international trade policies and relations; ● our ability to maintain or increase our prices, including freight in response to rising fuel costs; ● disruptions in global supply chains; ● increased exposure to foreign currency fluctuations; and ● constraints, volatility or disruption in the **credit and capital markets.** **If our fulfillment operations are interrupted for any significant period of time or are not sufficient to accommodate increased demand, our sales could decline and our reputation could be harmed. Our success depends on our ability to successfully receive and fulfill orders and to promptly deliver our products to our customers. Most of the orders for our products are filled from our inventory in our distribution centers, where all our inventory management, packaging, labeling and product return processes are performed. Increased demand and other considerations may require** us to expand our distribution centers or transfer our fulfillment operations to larger or other facilities in the future. If we do not successfully expand our fulfillment capabilities in response to increases in demand, our sales could decline. In addition, our distribution centers are susceptible to damage or interruption from human error, pandemics, fire, flood, power loss, telecommunications failures, terrorist attacks, acts of war, break-ins, earthquakes and similar events. We do not currently maintain back-up power systems at our fulfillment centers. We do not presently have a formal disaster recovery plan and our business interruption insurance may be insufficient to compensate us for losses that may occur in the event operations at our fulfillment center are interrupted. In addition, alternative arrangements may not be available, or if they are available, may increase the cost of fulfillment. Any interruptions in our fulfillment operations for any significant period of time, including interruptions resulting from the expansion of our existing facilities or the transfer of operations to a new facility, could damage our reputation and brand and substantially harm our business and results of operations. We face intense competition and operate in an industry with limited barriers to entry, and some of our competitors may have greater resources than us and may be better positioned to capitalize on the growing auto parts market. The aftermarket auto parts industry is competitive and highly fragmented, with products distributed through multi-tiered and overlapping channels. We compete with both online and offline retailers who offer OEMs and aftermarket auto parts. Current or potential competitors include FIAMM, Grote, Peterson Manufacturing Company, ECCO, Vixen Horns, Grover, HornBlasters, and Kleinn. Many of our current and potential competitors have longer operating histories, large customer bases, superior brand recognition and significantly greater financial, marketing, technical, management and other resources than we do. In addition, some of our competitors have used and may continue to use aggressive pricing tactics and devote substantially more financial resources to website and system development than we do. We expect that competition will further intensify in the future as Internet use and online commerce continue to grow worldwide. Increased competition may result in reduced sales, lower operating margins, reduced profitability, loss of market share and diminished brand recognition. We rely on key personnel and may need additional personnel for the success and growth of our business. Our business is **largely dependent on the personal efforts and abilities of highly skilled executive, technical, managerial, merchandising and marketing personnel. Competition for such personnel is intense, and we cannot assure you that we will be successful in attracting and retaining such personnel. The loss of any key employee or our inability to attract or retain other qualified employees could harm our business and results of operations. If our product catalog database is stolen, misappropriated or damaged, or if a competitor is able to create a substantially similar catalog without infringing our rights, then we may lose an important competitive advantage.** Competition presents **We have invested significant resources and time to build and maintain our product catalog, which is maintained in the form of an electronic database** ongoing threat to the success of our business. Our business is rapidly evolving and intensely competitive, and we have many competitors. Our competition includes big box retailers, such as Foster Grant, SAV Eyewear, EyeBobs, Peepers, Blue Gem, Sees Eyewear, Modo, and EyeOs; and online marketplaces, such as Amazon. We expect competition to continue to increase. We believe that our ability to compete successfully depends upon many factors both within and beyond our control, including: ● the size and composition of our customer base; ● the number of suppliers and products **product catalog provides us with** we feature; ● our selling and **an important competitive advantage. We cannot assure you** marketing efforts; ● the quality, price and reliability of products we offer; ● the quality and convenience of the shopping experience that we provide; ● our ability to distribute our products and manage our operations; and ● our reputation and brand strength. Many of our current competitors have, and potential competitors may have, longer operating histories, greater brand recognition, larger fulfillment infrastructures, greater technical capabilities, faster and less costly shipping, significantly greater financial, marketing and other resources and larger customer bases than we do. These factors may allow our competitors to derive greater net revenue and profits from their existing customer base, acquire customers at lower costs or respond more quickly than we can to new or emerging technologies and

changes in consumer habits. These competitors may engage in more extensive research and development efforts, undertake more far-reaching marketing campaigns and adopt more aggressive pricing policies, which may allow them to build larger customer bases or generate net revenue from their customer bases more effectively than we do. If we fail to manage our growth effectively, our business, financial condition and operating results could be harmed. To manage our growth effectively, we must continue to implement our operational plans and strategies, improve, and expand our infrastructure of people and information systems and expand, train and manage our employee base. To support continued growth, we must effectively integrate, develop and motivate new employees. We face significant competition for personnel. Failure to manage our hiring needs effectively or successfully integrate our new hires may have a material adverse effect on our business, financial condition and operating results. Additionally, the growth of our business places significant demands on our operations, as well as our management and other employees. The growth of our business may require significant additional resources to meet these daily requirements, which may not scale in a cost-effective manner or may negatively affect the quality of our sites and customer experience. We are also required to manage relationships with a growing number of suppliers, customers and other third parties. Our information technology systems and our internal controls and procedures may not be adequate to support the future growth of our supplier and employee base. If we are unable to manage the growth of our organization effectively, our business, financial condition and operating results may be materially adversely affected. Significant merchandise returns could harm our business. We allow our customers to return products, subject to our return policy. If merchandise returns are significant, our business, prospects, financial condition and results of operations could be harmed. Further, we modify our policies relating to returns from time to time, which may result in customer dissatisfaction or an increase in the number of product returns. Many of our products are large and require special handling and delivery. From time to time our products are damaged in transit, which can increase return rates and harm our brand. We may be subject to product liability and other similar claims if people or property are harmed by the products we sell. Some of the products we sell may expose us to product liability and other claims and litigation (including class actions) or regulatory action relating to safety, personal injury, death or environmental or property damage. Some of our agreements with members of our supply chain may not indemnify us from product liability for a particular product, and some members of our supply chain may not have sufficient resources or insurance to satisfy their indemnity and defense obligations. Although we maintain liability insurance, we cannot be certain that our coverage will be adequate **able to protect our product catalog from unauthorized copying for or theft** liabilities actually incurred or that insurance our product catalog will continue to be available **operate adequately, without any technological challenges. In addition, it is possible that a competitor could develop a catalog or database that is similar to or more comprehensive than ours, without infringing our rights. In the event our product catalog is damaged or is stolen, copied or otherwise replicated to compete with us on economically reasonable terms, whether lawfully or at all.** We are engaged in legal proceedings that could cause us to incur unforeseen expenses and could occupy a significant amount of our **or not** management's time and attention. From time to time, we are subject to litigation or claims that could negatively affect our business operations and financial position. Litigation disputes could cause us to incur unforeseen expenses, result in site unavailability, service disruptions, and otherwise occupy a significant amount of our management's time and attention, any of which could negatively affect our business operations and financial position. We also from time to time receive inquiries and subpoenas and other types of information requests from government authorities and we may **lose** become subject to related claims and **an important competitive advantage** other actions related to our business activities. While the ultimate outcome of investigations, inquiries, information requests and related legal proceedings is difficult to predict, such matters can be expensive, time-consuming and distracting, and adverse resolutions or settlements of those matters may result in, among other things, modification of our business practices, reputational harm or costs and significant payments, any of which could negatively affect our business operations and financial position. We rely on the performance of members of management and highly skilled personnel, and if we are unable to attract, develop, motivate and retain well-qualified employees, our business could be harmed. Economic conditions have had, and may continue to have, an adverse effect on the demand for aftermarket auto parts and could adversely affect our sales and operating results. Demand for our products has been and may continue to be adversely affected by general economic conditions. In declining economies, consumers often defer regular vehicle maintenance and may forego purchases of nonessential performance and accessories products, which can result in a decrease in demand for auto parts in general. Consumers also defer purchases of new vehicles, which immediately impacts performance parts and accessories, which are generally purchased in the first six months of a vehicle's lifespan. In addition, during economic downturns, some competitors may become more aggressive in their pricing practices, which would adversely impact our gross margin. Certain suppliers may exit the industry, which may impact our ability to procure parts and may adversely impact gross margin as the remaining suppliers increase prices to take advantage of limited competition. Vehicle miles driven, vehicle accident rates and insurance companies' willingness to accept a variety of types of parts in the repair process have fluctuated and may decrease, which could result in a decline of our revenues and negatively affect our results of operations. We **believe and our industry depend on the number of vehicle miles driven, vehicle accident rates and insurance companies' willingness to accept a variety of types of parts in the repair process. Decreased miles driven reduce the number of accidents and corresponding demand for parts, and reduce the wear and tear on vehicles with a corresponding reduction in demand for vehicle repairs and parts. If consumers were to drive less in the future and / our or success / or** accident rates were to decline, as a result of higher gas prices, increased use of ride-shares, the advancement of driver assistance technologies, or otherwise, our sales may decline and our business and financial results may suffer. We will be required to collect and pay more sales taxes, and could become liable for other fees and penalties, which could have an adverse effect on our business. We have historically collected sales or other similar taxes only on the shipment of goods to customers in the state of New York. However, following the U.S. Supreme Court decision in *South Dakota v. Wayfair*, we are now required to collect sales tax in any state which passes legislation requiring out-of-state retailers to collect sales tax even where they have no physical nexus. We have historically enjoyed a competitive advantage to the extent

our competitors are already subject to those tax obligations. By collecting sales tax in additional states, we will lose this competitive advantage as total costs to our customers will increase, which could adversely affect our sales. Moreover, if we fail to collect and remit or pay required sales or other taxes in a jurisdiction or qualify or register to do business in a jurisdiction that requires us to do so or if we have failed to do so in the past, we could face material liabilities for taxes, fees, interest and penalties. If various jurisdictions impose new tax obligations on our business activities, our sales and net income in those jurisdictions could decrease significantly, which could harm our business. Higher wage and benefit costs could adversely affect our business. Changes in federal and state minimum wage laws and other laws relating to employee benefits could cause us to incur additional wage and benefit costs. Increased labor costs brought about by changes in minimum wage laws, other regulations or prevailing market conditions could increase our expenses and have an adverse impact on our profitability. We face exposure to product liability lawsuits. The automotive industry **in general has been subject** ~~depended, and continues to~~ **a large number** ~~depend, on the members of~~ **product liability claims due to the nature of personal injuries that result from car accidents our** ~~or malfunctions senior management teams. The loss~~ **As a distributor of auto parts, including parts obtained overseas, we could be held liable for the injury or damage caused if the products we sell are defective or malfunction regardless of whether the product manufacturer is the party at fault. While we carry insurance against product liability claims, if the damages in any of given action were high our or senior management or we were subject to multiple lawsuits, other the key employees damages and costs could materially exceed the limits of our insurance coverage or prevent us from obtaining coverage in the future. If we were required to pay substantial damages as a result of these lawsuits, it may seriously harm our business.** ~~Our future success also depends on our continuing ability to attract, develop, motivate and financial condition retain highly qualified and skilled employees, particularly mid-level managers and merchandising and technology personnel.~~ **Even defending against unsuccessful claims could cause us to** ~~The market for such positions is competitive. Qualified individuals are in high demand, and we may incur significant costs to attract expenses and result in a diversion of management's attention. In addition, even if them the~~ **Our inability money damages themselves did not cause substantial harm to recruit our business, the damage to our reputation and develop mid-level managers the brands offered on our websites could materially adversely affect our future reputation and our brand and could result in a decline in our net sales and profitability. Business interruptions in our facilities may affect the distribution of our products and / or the stability of our computer systems, which may affect our business. Weather, terrorist activities, war or other disasters, or the threat of them, may result in the closure of one or more of our facilities, or may adversely affect our ability to execute timely provide products to our customers, resulting in lost sales our or business plan a potential loss of customer loyalty. Most of our products are imported from other countries and these goods could become difficult or impossible to bring into the United States, and we may not be able to obtain such products from find adequate replacements. All of our officers and other U sources at similar prices. S Such a disruption in revenue could potentially have a negative impact on our results of operations, financial condition and cash flows. employees We rely extensively on our computer systems to manage inventory, process transactions and timely provide products to our customers. Our systems are at are subject to damage or interruption from power outages, telecommunications failures, computer viruses, security breaches or other catastrophic events. If our systems are damaged or fail to function properly, we may experience loss of critical data and interruptions or delays in our ability to manage inventories or process customer transactions. Such a disruption of our systems could negatively impact revenue and potentially have a negative impact on our results of operations, financial condition and cash flows. Security threats, such as ransomware attacks, to our IT infrastructure could expose us to liability, and damage our reputation and business. It is essential to our business strategy that our technology and network infrastructure remain secure and is perceived by our customers to be secure. Despite security measures, however, any network infrastructure may be vulnerable to cyber - will employees attacks. Information security risks have significantly increased in recent years in part due to the proliferation of new technologies and the increased sophistication and activities of organized crime, meaning hackers, terrorists and other external parties, including foreign private parties and state actors. We may face cyber- attacks that they attempt to penetrate our network security, including our data centers, to sabotage or otherwise disable our network of websites and online marketplaces, misappropriate our or our customers' proprietary information, which may terminate their employment include personally identifiable information, or cause interruptions of our internal systems and services. If successful, any of these attacks could negatively affect our reputation, damage our network infrastructure and our ability to sell our products, harm our relationship with customers that are affected and expose us at to financial liability. We maintain a comprehensive system of preventive and detective controls through our security programs; however, given the rapidly evolving nature and proliferation of cyber threats, our controls may not prevent or identify all such attacks in a timely manner or otherwise prevent unauthorized access to, damage to, or interruption of our systems and operations, and we cannot eliminate the risk of human error or employee or vendor malfeasance. In addition, any time, failure by us to comply with applicable privacy and information security laws and regulations could cause us to incur significant costs to protect any customers whose personal data was compromised and to restore customer confidence in us and to make changes to our information systems and administrative processes to address security issues and compliance with applicable laws and regulations. In addition, our customers could lose confidence in our ability to protect their knowledge personal information, which could cause them to stop shopping on our sites altogether. Such events could lead to lost sales and adversely affect our results of operations. We also could be exposed to government enforcement actions and private litigation. Failure to comply with privacy laws and regulations and failure to adequately protect customer data could harm our business, damage our reputation and result in a loss of customers. Federal and state regulations may govern the collection, use, sharing and security of data that we receive from our customers. In addition, we have and post on our websites our own privacy policies and practices concerning the collection, use and disclosure of customer data. Any failure, or perceived failure, by us to comply with our posted privacy policies or with any**

data-related consent orders, U.S. Federal Trade Commission requirements or other federal, state or international privacy-related laws and regulations could result in proceedings or actions against us by governmental entities or others, which could potentially harm our business. Further, failure or perceived failure to comply with our policies or applicable requirements related to the collection, use or security of personal information or other privacy-related matters could damage our reputation and result in a loss of customers. The regulatory framework for privacy issues is currently evolving and is likely to remain uncertain for the foreseeable future. Challenges by OEMs to the validity of the aftermarket auto parts industry **and claims of intellectual property infringement** would **could** be extremely difficult to replace **adversely affect our business and the viability of the aftermarket auto parts industry**. **If OEMs have attempted to use claims of intellectual property infringement against manufacturers and distributors of aftermarket products to restrict or eliminate the sale of aftermarket products that are the subject of the claims. The OEMs have brought such claims in federal court and with the United States International Trade Commission. We have received in the past, and we anticipate** do not succeed in attracting well-qualified employees or retaining and motivating existing employees, our business, financial condition and operating results may be materially adversely affected. We are subject to risks related to online payment methods. We accept payments using a variety of methods, including credit card, debit card, PayPal, credit accounts and gift cards. As we offer new payment options to consumers, we may **in the future receive** be subject to additional regulations, **communications alleging that** compliance requirements and fraud. For certain **products** payment methods, including credit and debit cards, we **sell infringe** pay interchange and other **the** fees, which may increase over time and raise our operating costs and lower profitability. We are also subject to payment card association operating rules and certification requirements, including the Payment Card Industry Data Security Standard and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. As our business changes, we may also be subject to different rules under existing standards, which may require new assessments that involve costs above what we currently pay for compliance. If we fail to comply with the rules or requirements of any provider of a payment method we accept, if the volume of fraud in our transactions limits or terminates our rights to use payment methods we currently accept, or if a data breach occurs relating to our payment systems, we may, among other things, be subject to fines or higher transaction fees and may lose, or face restrictions placed upon, our ability to accept credit card and debit card payments **patents** from consumers or to facilitate other types of online payments. If any of these events were to occur, our business, financial condition and operating results could be materially adversely affected. We occasionally receive orders placed with fraudulent credit card data. We may suffer losses as a result of orders placed with fraudulent credit card data even if the associated financial institution approved payment of the orders. Under current credit card practices, we may be liable for fraudulent credit card transactions. If we are unable to detect or control credit card fraud, our liability for these transactions could harm our business, financial condition and results of operations. We may not be able to adequately protect our intellectual property rights **copyrights**. We regard our customer lists, domain **trademarks and trade** names, trade dress, trade secrets, trademarks, proprietary technology and similar intellectual property as critical to our **or** success, and we rely on trade secret protection, agreements and other methods with our employees and others to protect our proprietary rights. We might not be able to obtain broad protection for all of our intellectual property. The protection of our intellectual property rights may require the expenditure of significant financial, managerial and operational resources. We may initiate claims or litigation against others for infringement, misappropriation or violation of our intellectual property rights or proprietary rights or to establish the validity of such rights. Any litigation, whether or not it is resolved in our favor, could result in significant expense to us and divert the efforts of our technical and management personnel, which may materially adversely affect our business, financial condition and operating results. Moreover, the steps we take to protect our intellectual property may not adequately protect our rights or prevent third parties from infringing or misappropriating our proprietary rights, and we may not be able to broadly enforce all of our intellectual property rights. Any of our intellectual property rights may be challenged by others or invalidated through administrative process or litigation. Additionally, the process of obtaining intellectual property protections is expensive and time-consuming, and we may not be able to pursue all necessary or desirable actions at a reasonable cost or in a timely manner. Even if issued, there can be no assurance that these protections will adequately safeguard our intellectual property, as the legal standards relating to the validity, enforceability and scope of protection of patent and other intellectual property rights **of OEMs or** are uncertain. We also cannot be certain that others **other** will not independently develop or otherwise acquire equivalent or superior intellectual property rights. We may also be exposed to claims from third parties claiming infringement of their intellectual property rights. These **The** claims could result in litigation **United States Patent and Trademark Office records indicate** that **OEMs are seeking** may materially affect our financial condition and **obtaining more design patents** operating results in a material and **trademarks than** adverse way. We may be accused of infringing on the **they have in the past** intellectual property rights of third parties. **In some cases,** We may be subject to claims and litigation by third parties that we infringe on their intellectual property rights. The costs of supporting such litigation and disputes are considerable, and there can be no assurance that favorable outcomes will be obtained. As our business expands and the number of competitors in our market increases and overlaps occur, we expect that infringement claims may increase in number and significance. Any claims or proceedings against us, whether meritorious or not, could be time-consuming, result in considerable litigation costs, require significant amounts of management time or result in the diversion of significant operational resources, any of which could materially adversely affect our business, financial condition and operating results. We have received in the past, and we may receive in the future, communications alleging that certain items posted on or sold through our sites violate third-party copyrights, designs, marks and trade names or other intellectual property rights or other proprietary rights. Brand and content owners and other proprietary rights owners have actively asserted their purported rights against online companies. In addition to litigation from rights owners, we may be subject to regulatory, civil or criminal proceedings and penalties if governmental authorities believe we have aided and abetted in the sale of counterfeit or infringing products. Such claims, whether or not meritorious, may result in the expenditure of significant financial, managerial and operational resources, injunctions against us

or the payment of damages by us. We may need to obtain licenses from third parties who allege that we have violated their rights, but such licenses may not be available on terms acceptable to us, or at all. These risks have been amplified by the increase in third parties whose sole or primary business is to assert such claims. If we do not continue to negotiate and maintain favorable license arrangements, our sales or cost of revenues could suffer. We have entered into license agreements that enable allow us to manufacture and distribute prescription frames and sunglasses under certain names, including Dr sell aftermarket parts that replicate OEM patented parts in exchange for a royalty . Dean Edell. These In the event that our license agreements , typically have terms of multiple years and may contain options for- or renewal for additional periods and require us to make guaranteed and contingent royalty payments to the other similar licensor license . Accordingly arrangements are terminated, if or we are unable to negotiate agree upon renewal terms, we may be subject to restrictions on our ability to sell aftermarket parts that replicate parts covered by design patents or trademarks, which could have and- an adverse effect on our business. Litigation or regulatory enforcement could also result in interpretations of the law that require us to change our business practices or otherwise increase our costs and harm our business. We may not maintain satisfactory sufficient, or any, insurance coverage to cover the types of claims that could be asserted. If a successful claim were brought against us, it could expose us to significant liability. If we are unable to protect our intellectual property rights, our reputation and brand could be impaired and we could lose customers. We regard our patents, trademarks, trade secrets and similar intellectual property as important to our success. We rely on patent, trademark and copyright law, and trade secret protection, and confidentiality and / or license arrangements agreements with employees ,customers,partners and others to protect our proprietary rights.We cannot be certain that we have taken adequate steps to protect our proprietary rights,especially in countries where the laws may not protect our rights as fully as in the United States.In addition,our proprietary rights may be infringed or misappropriated,and we could be required to incur significant expenses to preserve them.In the past we have filed litigation to protect our intellectual property rights.The outcome of such litigation can be uncertain,and the cost of prosecuting such litigation may have an adverse impact on our earnings.We have patent and trademark registrations for several patents and marks.However,any registrations may not adequately cover our intellectual property or protect us against infringement by others.Effective patent,trademark,service mark,copyright and trade secret protection may not be available in every country in which our products and services may be made available online.We also currently own or control a number of Internet domain names and have invested time and money in the purchase of domain names and other intellectual property,which may be impaired if we cannot protect such intellectual property.We may be unable to protect these domain names or acquire or maintain relevant domain names in the United States and in other countries.If we are not able to protect our patents,trademarks,domain names or other intellectual property,we may experience difficulties in achieving and maintaining brand recognition and customer loyalty.Because we are involved in litigation from time to time and are subject to numerous laws and governmental regulations,we could incur substantial judgments,finances,legal fees and other costs as well as reputational harm.We are sometimes the subject of complaints or litigation from customers,employees or other third parties for various reasons.The damages sought against us in some some of these litigation proceedings could be substantial. Although we maintain liability insurance for some litigation claims, if one our- or designers, more of the claims were to greatly exceed our insurance coverage limits our- or growth prospects and if our insurance policies do not cover a claim, this could have a material adverse effect on our business, financial condition, results of operations could materially suffer from a reduction in sales or an and cash flows increase in advertising costs and royalty payments to designers. Existing or future government regulation could expose us to liabilities and costly changes in our business operations and could reduce customer demand for our products and services. We are subject to federal and state consumer protection laws and regulations, including laws protecting the privacy of customer non- public information and regulations prohibiting unfair and deceptive trade practices, as well as laws and regulations governing businesses in general and the Internet and e- commerce and certain environmental laws. Additional laws and regulations may be adopted with respect to the Internet. These laws may cover issues such as user privacy, spyware and the tracking of consumer activities, marketing e- mails and communications, other advertising and promotional practices, money transfers, pricing, content and quality of products and services, taxation, electronic contracts and other communications, intellectual property rights, and information security. Furthermore, it is not clear how existing laws such as those governing issues such as property ownership, sales and other taxes, trespass, data mining and collection, and personal privacy apply to the Internet and e- commerce. To the extent we expand into international markets, we will be faced with complying with local laws and regulations, some of which may be materially different than U. S. laws and regulations. Any such foreign law or regulation, any new U. S. law or regulation, or the interpretation or application of existing laws and regulations to our business may have a material adverse effect on our business, prospects, financial condition and results of operations by, among other things, subjecting us to fines, penalties, damages or other liabilities, requiring costly changes in our business operations and practices, and reducing customer demand for our products and services. We may not maintain sufficient, or any, insurance coverage to cover the types of claims or liabilities that could arise as a result of such regulation . Risks Related to Our Retail and....., results of operations and cash flows . We may be affected by global climate change or by legal, regulatory, or market responses to such change. The growing political and scientific sentiment is that global weather patterns are being influenced by increased levels of greenhouse gases in the earth' s atmosphere. This growing sentiment and the concern over climate change have led to legislative and regulatory initiatives aimed at reducing greenhouse gas emissions which warm the earth' s atmosphere. These warmer weather conditions could result in a decrease in demand for auto parts in general. Moreover, proposals that would impose mandatory requirements on greenhouse gas emissions continue to be considered by policy makers in the United States. Laws enacted that directly or indirectly affect our suppliers (through an increase in the cost of production or their ability to produce satisfactory products) or our business (through an impact on our inventory availability, cost of revenues, operations or demand for the products we sell) could adversely affect our business, financial condition, results of operations and cash flows. Significant increases in fuel economy requirements or new federal or state restrictions on emissions of carbon

dioxide that may be imposed on vehicles and automobile fuels could adversely affect demand for vehicles, annual miles driven or the products we sell or lead to changes in automotive technology. Compliance with any new or more stringent laws or regulations, or stricter interpretations of existing laws, could require additional expenditures by us or our suppliers. Our inability to respond to such changes could adversely impact the demand for our products and our business, financial condition, results of operations or cash flows.

Risks Related to Our Relationship with Our Manager Termination of the management services agreement will not affect our manager's rights to receive profit allocations and removal of our manager may cause us to incur significant fees. Our manager owns all of our allocation shares, which generally will entitle our manager to receive a profit allocation as a form of preferred distribution. In general, this profit allocation is designed to pay our manager 20 % of the excess of the gains upon dispositions of our subsidiaries, plus an amount equal to the net income of such subsidiaries since their acquisition by us, over an annualized hurdle rate. If our manager resigns or is removed, for any reason, it will remain the owner of our allocation shares. It will therefore remain entitled to all profit allocations while it holds our allocation shares regardless of whether it is terminated as our manager. If we terminate our manager, it may therefore be difficult or impossible for us to find a replacement to serve the function of our manager, because we would not be able to force our manager to transfer its allocation shares to a replacement manager so that the replacement manager could be entitled to a profit allocation. Therefore, as a practical matter, it may be difficult for us to replace our manager without its cooperation. If it becomes necessary to replace our manager and we are unable to replace our manager without its cooperation, we may be unable to continue to manage our operations effectively and our business may fail. If we terminate the management services agreement with our manager, any fees, costs and expenses already earned or otherwise payable to our manager upon termination would become immediately due. Moreover, if our manager were to be removed and our management services agreement terminated by a vote of our board of directors and a majority of our common shares other than common shares beneficially owned by our manager, we would also owe a termination fee to our manager on top of the other fees, costs and expenses. In addition, the management services agreement is silent as to whether termination of our manager "for cause" would result in a termination fee; there is therefore a risk that the agreement may be interpreted to entitle our manager to a termination fee even if terminated "for cause". The termination fee would equal twice the sum of the amount of the quarterly management fees calculated with respect to the four fiscal quarters immediately preceding the termination date of the management services agreement. As a result, we could incur significant management fees as a result of the termination of our manager, which may increase the risk that our business may be unable to meet its financial obligations or otherwise fail.

Mr. Ellery W. Roberts, our Chairman and Chief Executive Officer, controls our manager. If some event were to occur to cause Mr. Roberts (or his designated successor, heirs, beneficiaries or permitted assigns) not to control our manager without the prior written consent of our board of directors, our manager would be considered terminated under our agreement. Our manager and the members of our management team may engage in activities that compete with us or our businesses. Although our Chief Executive Officer intends to devote substantially all of his time to the affairs of our company and our manager must present all opportunities that meet our acquisition and disposition criteria to our board of directors, neither our manager nor our Chief Executive Officer is expressly prohibited from investing in or managing other entities. In this regard, the management services agreement and the obligation to provide management services will not create a mutually exclusive relationship between our manager and its affiliates, on the one hand, and our company, on the other. Our manager need not present an acquisition opportunity to us if our manager determines on its own that such acquisition opportunity does not meet our acquisition criteria. Our manager will review any acquisition opportunity to determine if it satisfies our acquisition criteria, as established by our board of directors from time to time. If our manager determines, in its sole discretion, that an opportunity fits our criteria, our manager will refer the opportunity to our board of directors for its authorization and approval prior to signing a letter of intent, indication of interest or similar document or agreement. Opportunities that our manager determines do not fit our criteria do not need to be presented to our board of directors for consideration. In addition, upon a determination by our board of directors not to promptly pursue an opportunity presented to it by our manager, in whole or in part, our manager will be unrestricted in its ability to pursue such opportunity, or any part that we do not promptly pursue, on its own or refer such opportunity to other entities, including its affiliates. If such an opportunity is ultimately profitable, we will not have participated in such opportunity. See Item 1 "Business — Our Manager — Acquisition and Disposition Opportunities" for more information about our current acquisition criteria. Our Chief Executive Officer, Mr. Ellery W. Roberts, controls our manager and, as a result, we may have difficulty severing ties with Mr. Roberts. Under the terms of the management services agreement, our board of directors may, after due consultation with our manager, at any time request that our manager replace any individual seconded to us, and our manager will, as promptly as practicable, replace any such individual. However, because Mr. Roberts controls our manager, we may have difficulty completely severing ties with Mr. Roberts absent terminating the management services agreement and our relationship with our manager. Further, termination of the management services agreement could give rise to a significant financial obligation, which may have a material adverse effect on our business and financial condition. See Item 1 "Business — Our Manager" for more information about our relationship with our manager. If the management services agreement is terminated, our manager, as holder of the allocation shares, has the right to cause us to purchase its allocation shares, which may have a material adverse effect on our financial condition. If: (i) the management services agreement is terminated at any time other than as a result of our manager's resignation, subject to (ii); or (ii) our manager resigns, our manager will have the right, but not the obligation, for one year from the date of termination or resignation, as the case may be, to cause us to purchase the allocation shares for the put price. The put price shall be equal to, as of any exercise date: (i) if we terminate the management services agreement, the sum of two separate, independently made calculations of the aggregate amount of the "base put price amount" as of such exercise date; or (ii) if our manager resigns, the average of two separate, independently made calculations of the aggregate amount of the "base put price amount" as of such exercise date. If our manager elects to cause us to purchase its allocation shares, we are obligated to do so and, until we have done so, our ability to conduct our business, including our ability to incur debt, to sell or otherwise dispose of

our property or assets, to engage in certain mergers or consolidations, to acquire or purchase the property, assets or stock of, or beneficial interests in, another business, or to declare and pay distributions, would be restricted. These financial and operational obligations may have a material adverse effect on our financial condition, business and results of operations. See Item 1 “ Business — Our Manager — Our Manager as an Equity Holder — Supplemental Put Provision ” for more information about our manager’s put right and our obligations relating thereto, as well as the definition and calculation of the base put price amount. If the management services agreement is terminated, we will need to change our name and cease our use of the term “ 1847 ”, which in turn could have a material adverse impact upon our business and results of operations as we would be required to expend funds to create and market a new name. Our manager controls our rights to the term “ 1847 ” as it is used in the name of our company. We and any businesses that we acquire must cease using the term “ 1847, ” including any trademark based on the name of our company that may be licensed to them by our manager under the license provisions of our management services agreement, entirely in their businesses and operations within 180 days of our termination of the management services agreement. The sublicense provisions of the management services agreement would require our company and its businesses to change their names to remove any reference to the term “ 1847 ” or any reference to trademarks licensed to them by our manager. This also would require us to create and market a new name and expend funds to protect that name, which may have a material adverse effect on our business and results of operations. We have agreed to indemnify our manager under the management services agreement that may result in an indemnity payment that could have a material adverse impact upon our business and results of operations. The management services agreement provides that we will indemnify, reimburse, defend and hold harmless our manager, together with its employees, officers, members, managers, directors and agents, from and against all losses (including lost profits), costs, damages, injuries, taxes, penalties, interests, expenses, obligations, claims and liabilities of any kind arising out of the breach of any term or condition in the management services agreement or the performance of any services under such agreement except by reason of acts or omissions constituting fraud, willful misconduct or gross negligence. If our manager is forced to defend itself in any claims or actions arising out of the management services agreement for which we are obligated to provide indemnification, our payment of such indemnity could have a material adverse impact upon our business and results of operations. Our manager can resign on 120 days’ notice, and we may not be able to find a suitable replacement within that time, resulting in a disruption in our operations that could materially adversely affect our financial condition, business and results of operations, as well as the market price of our shares. Our manager has the right, under the management services agreement, to resign at any time on 120 days written notice, whether we have found a replacement or not. If our manager resigns, we may not be able to contract with a new manager or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms within 120 days, or at all, in which case our operations are likely to experience a disruption, our financial condition, business and results of operations, as well as our ability to pay distributions are likely to be materially adversely affected and the market price of our shares may decline. In addition, the coordination of our internal management, acquisition activities and supervision of our business is likely to suffer if we are unable to identify and reach an agreement with a single institution or group of executives having the experience and expertise possessed by our manager and its affiliates. Even if we are able to retain comparable management, whether internal or external, the integration of such management and their lack of familiarity with our businesses may result in additional costs and time delays that could materially adversely affect our financial condition, business and results of operations as well as the market price of our shares. The amount recorded for the allocation shares may be subject to substantial period- to- period changes, thereby significantly adversely impacting our results of operations. We will record the allocation shares at the redemption value at each balance sheet date by recording any change in fair value through our income statement as a dividend between net income and net income available to common shareholders. The redemption value of the allocation shares is largely related to the value of the profit allocation that our manager, as holder of the allocation shares, will receive. The redemption value of the allocation shares may fluctuate on a period- to- period basis based on the distributions we pay to our common shareholders, the earnings of our businesses and the price of our common shares, which fluctuation may be significant, and could cause a material adverse effect on our results of operations. See Item 1 “ Business — Our Manager — Our Manager as an Equity Holder ” for more information about the terms and calculation of the profit allocation and any payments under the supplemental put provisions of our operating agreement. We cannot determine the amount of the management fee that will be paid to our manager over time with certainty, which management fee may be a significant cash obligation and may reduce the cash available for operations and distributions to our shareholders. Our manager’s management fee will be calculated by reference to our adjusted net assets, which will be impacted by the following factors: ● the acquisition or disposition of businesses; ● organic growth, add- on acquisitions and dispositions by our businesses; and ● the performance of our businesses. We cannot predict these factors, which may cause significant fluctuations in our adjusted net assets and, in turn, impact the management fee we pay to our manager. Accordingly, we cannot determine the amount of management fee that will be paid to our manager over time with any certainty, which management fee may represent a significant cash obligation and may reduce the cash available for our operations and distributions to our shareholders. We must pay our manager the management fee regardless of our performance. Therefore, our manager may be induced to increase the amount of our assets rather than the performance of our businesses. Our manager is entitled to receive a management fee that is based on our adjusted net assets, as defined in the management services agreement, regardless of the performance of our businesses. In this respect, the calculation of the management fee is unrelated to our net income. As a result, the management fee may encourage our manager to increase the amount of our assets by, for example, recommending to our board of directors the acquisition of additional assets, rather than increase the performance of our businesses. In addition, payment of the management fee may reduce or eliminate the cash we have available for distributions to our shareholders. The management fee is based solely upon our adjusted net assets; therefore, if in a given year our performance declines, but our adjusted net assets remain the same or increase, the management fee we pay to our manager for such year will increase as a percentage of our net income and may reduce the cash available for distributions to our shareholders. The

management fee we pay to our manager will be calculated solely by reference to our adjusted net assets. If in a given year our performance declines, but our adjusted net assets remain the same or increase, the management fee we pay to our manager for such year will increase as a percentage of our net income and may reduce the cash available for distributions to our shareholders. See Item 1 “ Business — Our Manager — Our Manager as a Service Provider — Management Fee ” for more information about the terms and calculation of the management fee. The amount of profit allocation to be paid to our manager could be substantial. However, we cannot determine the amount of profit allocation that will be paid over time or the put price with any certainty. We cannot determine the amount of profit allocation that will be paid over time or the put price with any certainty. Such determination would be dependent on, among other things, the number, type and size of the acquisitions and dispositions that we make in the future, the distributions we pay to our shareholders, the earnings of our businesses and the market value of common shares from time to time, factors that cannot be predicted with any certainty at this time. Such factors will have a significant impact on the amount of any profit allocation to be paid to our manager, especially if our share price significantly increases. See Item 1 “ Business — Our Manager — Our Manager as an Equity Holder — Manager’s Profit Allocation ” for more information about the calculation and payment of profit allocation. Any amounts paid in respect of the profit allocation are unrelated to the management fee earned for performance of services under the management services agreement. The management fee and profit allocation to be paid to our manager may significantly reduce the amount of cash available for distributions to shareholders and for operations. Under the management services agreement, we will be obligated to pay a management fee to and, subject to certain conditions, reimburse the costs and out-of-pocket expenses of our manager incurred on our behalf in connection with the provision of services to us. Similarly, our businesses will be obligated to pay fees to and reimburse the costs and expenses of our manager pursuant to any offsetting management services agreements entered into between our manager and our businesses, or any transaction services agreements to which such businesses are a party. In addition, our manager, as holder of the allocation shares, will be entitled to receive a profit allocation upon satisfaction of applicable conditions to payment and may be entitled to receive the put price upon the occurrence of certain events. While we cannot quantify with any certainty the actual amount of any such payments in the future, we do expect that such amounts could be substantial. The management fee, put price and profit allocation are payment obligations and, as a result, will be senior in right to the payment of any distributions to our shareholders. Likewise, the profit allocation may also significantly reduce the cash available for operations. Our manager’s influence on conducting our business and operations, including acquisitions, gives it the ability to increase its fees and compensation to our Chief Executive Officer, which may reduce the amount of cash available for distributions to our shareholders. Under the terms of the management services agreement, our manager is paid a management fee calculated as a percentage of our adjusted net assets for certain items and is unrelated to net income or any other performance base or measure. See Item 1 “ Business — Our Manager — Our Manager as a Service Provider — Management Fee ” for more information about the calculation of the management fee. Our manager, which Ellery W. Roberts, our Chief Executive Officer, controls, may advise us to consummate transactions, incur third-party debt or conduct our operations in a manner that may increase the amount of fees paid to our manager which, in turn, may result in higher compensation to Mr. Roberts because his compensation is paid by our manager from the management fee it receives from us. Fees paid by our company and our businesses pursuant to transaction services agreements do not offset fees payable under the management services agreement and will be in addition to the management fee payable by our company under the management services agreement. The management services agreement provides that businesses that we may acquire in the future may enter into transaction services agreements with our manager pursuant to which our businesses will pay fees to our manager. See Item 1 “ Business — Our Manager — Our Manager as a Service Provider ” for more information about these agreements. Unlike fees paid under the offsetting management services agreements, fees that are paid pursuant to such transaction services agreements will not reduce the management fee payable by us. Therefore, such fees will be in addition to the management fee payable by us or offsetting management fees paid by businesses that we may acquire in the future. The fees to be paid to our manager pursuant to these transaction service agreements will be paid prior to any principal, interest or dividend payments to be paid to us by our businesses, which will reduce the amount of cash available for distributions to our shareholders. Our manager’s profit allocation may induce it to make decisions and recommend actions to our board of directors that are not optimal for our business and operations. Our manager, as holder of all of the allocation shares, will receive a profit allocation based on the extent to which gains from any sales of our subsidiaries plus their net income since the time they were acquired exceed a certain annualized hurdle rate. As a result, our manager may be encouraged to make decisions or to make recommendations to our board of directors regarding our business and operations, the business and operations of our businesses, acquisitions or dispositions by us or our businesses and distributions to our shareholders, any of which factors could affect the calculation and payment of profit allocation, but which may otherwise be detrimental to our long-term financial condition and performance. The obligations to pay the management fee and profit allocation, including the put price, may cause us to liquidate assets or incur debt. If we do not have sufficient liquid assets to pay the management fee and profit allocation, including the put price, when such payments are due and payable, we may be required to liquidate assets or incur debt in order to make such payments. This circumstance could materially adversely affect our liquidity and ability to make distributions to our shareholders. Risks Related to Taxation Our shareholders will be subject to taxation on their share of our taxable income, whether or not they receive cash distributions from us. Our company is a limited liability company and is classified as a partnership for U. S. federal income tax purposes. Consequently, our shareholders are subject to U. S. federal income taxation and, possibly, state, local and foreign income taxation on their share of our taxable income, whether or not they receive cash distributions from us. There is, accordingly, a risk that our shareholders may not receive cash distributions equal to their allocated portion of our taxable income or even in an amount sufficient to satisfy the tax liability that results from that income. This risk is attributable to a number of variables, such as results of operations, unknown liabilities, government regulations, financial covenants relating to our debt, the need for funds for future acquisitions and / or to satisfy short- and long- term working capital needs of our businesses, and the

discretion and authority of our board of directors to make distributions or modify our distribution policy. As a partnership, our company itself will not be subject to U. S. federal income tax (except as may be imposed under certain recently enacted partnership audit rules), although it will file an annual partnership information return with the IRS. The information return will report the results of our activities and will contain a Schedule K- 1 for each company shareholder reflecting allocations of profits or losses (and items thereof) to our members, that is, to the shareholders. Each partner of a partnership is required to report on his or her income tax return his or her share of items of income, gain, loss, deduction, credit, and other items of the partnership (in each case, as reflected on such Schedule K- 1) without regard to whether cash distributions are received. Each holder will be required to report on his or her tax return his or her allocable share of company income, gain, loss, deduction, credit and other items for our taxable year that ends with or within the holder' s taxable year. Thus, holders of common shares will be required to report taxable income (and thus be subject to significant income tax liability) without a corresponding current receipt of cash if we were to recognize taxable income and not make cash distributions to the shareholders. Generally, the determination of a holder' s distributive share of any item of income, gain, loss, deduction, or credit of a partnership is governed by the operating agreement, but it is also subject to income tax laws governing the allocation of the partnership' s income, gains, losses, deductions and credits. These laws are complex, and there can be no assurance that the IRS would not successfully challenge any allocation set forth in any Schedule K- 1 issued by us. Whether an allocation set forth in any particular K- 1 issued to a shareholder will be accepted by the IRS also depends on a facts and circumstances analysis of the underlying economic arrangement of our shareholders. If the IRS were to prevail in challenging the allocations provided by the operating agreement, the amount of income or loss allocated to holders for U. S. federal income tax purposes could be increased or reduced or the character of allocated income or loss could be modified. See " Material U. S. Federal Income Tax Considerations " included in our prospectus, dated ~~February 9~~ **October 28**, 2024 and filed with the SEC on ~~February 14~~ **October 30**, 2024, for more information. All of our income could be subject to an entity- level tax in the United States, which could result in a material reduction in cash flow available for distribution to shareholders and thus could result in a substantial reduction in the value our shares. Given the number of shareholders that we have, and because our shares are listed for trading on the over- the- counter market, we believe that our company will be regarded as a publicly traded partnership. Under the federal tax laws, a publicly traded partnership generally will be treated as a corporation for U. S. federal income tax purposes. A publicly traded partnership will be treated as a partnership, however, and not as a corporation for U. S. federal tax purposes so long as 90 % or more of its gross income for each taxable year in which it is publicly traded constitutes " qualifying income, " within the meaning of section 7704 (d) of the Internal Revenue Code of 1986, as amended, or the Code, and we are not required to register under the Investment Company Act. Qualifying income generally includes dividends, interest (other than interest derived in the conduct of a lending or insurance business or interest the determination of which depends in whole or in part on the income or profits of any person), certain real property rents, certain gain from the sale or other disposition of real property, gains from the sale of stock or debt instruments which are held as capital assets, and certain other forms of " passive- type " income. We expect to realize sufficient qualifying income to satisfy the qualifying income exception. We also expect that we will not be required to register under the Investment Company Act. In certain cases, income that would otherwise qualify for the qualifying income exception may not so qualify if it is considered to be derived from an active conduct of a business. For example, the IRS may assert that interest received by us from our subsidiaries is not qualifying income because it is derived in the conduct of a lending business. If we fail to satisfy the qualifying income exception or is required to register under the Investment Company Act, we will be classified as a corporation for U. S. federal (and certain state and local) income tax purposes, and shareholders would be treated as shareholders in a domestic corporation. We would be required to pay federal income tax at regular corporate rates on its income. In addition, we would likely be liable for state and local income and / or franchise taxes on our income. Distributions to the shareholders would constitute ordinary dividend income (taxable at then existing ordinary income rates) or, in certain cases, qualified dividend income (which is generally subject to tax at reduced tax rates) to such holders to the extent of our earnings and profits, and the payment of these dividends would not be deductible to us. Shareholders would receive an IRS Form 1099- DIV in respect of such dividend income and would not receive a Schedule K- 1. Taxation of our company as a corporation could result in a material reduction in distributions to our shareholders and after- tax return and would likely result in a substantial reduction in the value of, or materially adversely affect the market price of, our shares. The present U. S. federal income tax treatment of an investment in our shares may be modified by administrative, legislative, or judicial interpretation at any time, and any such action may affect investments previously made. For example, changes to the U. S. federal tax laws and interpretations thereof could make it more difficult or impossible to meet the qualifying income exception for our company to be classified as a partnership, and not as a corporation, for U. S. federal income tax purposes, necessitate that our company restructure its investments, or otherwise adversely affect an investment in our shares. In addition, we may become subject to an entity level tax in one or more states. Several states are evaluating ways to subject partnerships to entity level taxation through the imposition of state income, franchise, or other forms of taxation. If any state were to impose a tax upon our company as an entity, our distributions to you would be reduced. Complying with certain tax- related requirements may cause us to forego otherwise attractive business or investment opportunities or enter into acquisitions, borrowings, financings, or arrangements we may not have otherwise entered into. In order for our company to be treated as a partnership for U. S. federal income tax purposes and not as a publicly traded partnership taxable as a corporation, we must meet the qualifying income exception discussed above on a continuing basis and must not be required to register as an investment company under the Investment Company Act. In order to effect such treatment, we may be required to invest through foreign or domestic corporations, forego attractive business or investment opportunities or enter into borrowings or financings we (or any of our subsidiaries, as the case may be) may not have otherwise entered into. This may adversely affect our ability to operate solely to maximize our cash flow. In addition, we may not be able to participate in certain corporate reorganization transactions that would be tax free to our shareholders if we were a corporation for U. S. federal income tax purposes. Non- corporate investors who are U. S. taxpayers

will not be able to deduct certain fees, costs or other expenses for U. S. federal income tax purposes. We will pay a management fee (and possibly certain transaction fees) to our manager. We will also pay certain costs and expenses incurred in connection with the activities of our manager. We intend to deduct such fees and expenses to the extent that they are reasonable in amount and are not capital in nature or otherwise nondeductible. It is expected that such fees and other expenses will generally constitute miscellaneous itemized deductions for non- corporate U. S. taxpayers who hold our shares. Under current law in effect for taxable years beginning after December 31, 2017 and before January 1, 2026, non- corporate U. S. taxpayers may not deduct any such miscellaneous itemized deductions for U. S. federal income tax purposes. A non- corporate U. S. taxpayer' s inability to deduct such items could result in such holder reporting as his or her share of company taxable income an amount that exceeds any cash actually distributed to such U. S. taxpayer for the year. U. S. holders of our shares that are corporations generally will be able to deduct these fees, costs and expenses in accordance with applicable U. S. federal income tax law. A portion of the income arising from an investment in our shares may be treated as unrelated business taxable income and taxable to certain tax- exempt holders despite such holders' tax- exempt status. We expect to incur debt with respect to certain of our investments that will be treated as " acquisition indebtedness " under section 514 of the Code. To the extent we recognize income from any investment with respect to which there is " acquisition indebtedness " during a taxable year, or to the extent we recognize gain from the disposition of any investment with respect to which there is " acquisition indebtedness, " a portion of that income will be treated as unrelated business taxable income and taxable to tax- exempt investors. In addition, if the IRS successfully asserts that we are engaged in a trade or business for U. S. federal income tax purposes (for example, if it determines we are engaged in a lending business), tax- exempt holders, and in certain cases non- U. S. holders, would be subject to U. S. income tax on any income generated by such business. The foregoing would apply only if the amount of such business income does not cause us to fail to meet the qualifying income test (which would happen if such income exceeded 10 % of our gross income, and in which case such failure would cause us to be taxable as a corporation). A portion of the income arising from an investment in our shares may be treated as income that is effectively connected with our conduct of a U. S. trade or business, which income would be taxable to holders who are not U. S. taxpayers. If the IRS successfully asserts that we are engaged in a trade or business in the United States for U. S. federal income tax purposes (for example, if it determines we are engaged in a lending business), then in certain cases non- U. S. holders would be subject to U. S. income tax on any income that is effectively connected with such business. It could also cause the non- U. S. holder to be subject to U. S. federal income tax on a sale of his or her interest in our company. The foregoing would apply only if the amount of such business income does not cause us to fail to meet the qualifying income test (which would happen if such income exceeded 10 % of our gross income, and in which case such failure would cause us to be taxable as a corporation). Risks related to recently enacted legislation. The rules dealing with U. S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U. S. Treasury Department. No assurance can be given as to whether, when or in what form the U. S. federal income tax laws applicable to us and our shareholders may be enacted. Changes to the U. S. federal income tax laws and interpretations of U. S. federal income tax laws could adversely affect an investment in our shares. We cannot predict whether, when or to what extent new U. S. federal tax laws, regulations, interpretations or rulings will be issued, nor is the long- term impact of recently enacted tax legislation clear. Prospective investors are urged to consult their tax advisors regarding the effect of potential changes to the U. S. federal income tax laws on an investment in our shares.

**Risks Related to Ownership of Our Common Shares** We may not be able to maintain a listing of our common shares on NYSE American. Our common shares are listed on NYSE American, and we must meet certain financial and liquidity criteria to maintain the listing of our common shares on NYSE American. If we fail to meet any listing standards or if we violate any listing requirements, our common shares may be delisted. **For instance, we have been advised by NYSE American that our common shares may be delisted if our share price falls below \$ 0. 10, and due to new NYSE American rules limiting the number of reverse splits that companies may effectuate over a two- year period to less than a cumulative ratio of 200 shares to 1, we will be unable to effectuate an additional reverse share split until at least July 2026, thereby increasing the likelihood that our share price may fall below \$ 0. 10. Furthermore, we have a shareholders' deficit of approximately \$ 96 million as of December 31, 2024, which NYSE American could also use as a basis to delist our common shares. Accordingly, we cannot guarantee that we will continue to meet all listing standards or that we will not violate any listing requirements in the future.** In addition, our board of directors may determine that the cost of maintaining our listing on a national securities exchange outweighs the benefits of such listing. A delisting of our common shares from NYSE American may materially impair our shareholders' ability to buy and sell our common shares and could have an adverse effect on the market price of, and the efficiency of the trading market for, our common shares. The delisting of our common shares could significantly impair our ability to raise capital and the value of your investment. The market price, trading volume and marketability of our common shares may, from time to time, be significantly affected by numerous factors beyond our control, which may materially adversely affect the market price of your common shares, the marketability of your common shares and our ability to raise capital through future equity financings. The market price and trading volume of our common shares may fluctuate significantly. Many factors that are beyond our control may materially adversely affect the market price of your common shares, the marketability of your common shares and our ability to raise capital through equity financings. These factors include the following: ● actual or anticipated variations in our periodic operating results; ● increases in market interest rates that lead investors of our common shares to demand a higher investment return; ● changes in earnings estimates; ● changes in market valuations of similar companies; ● actions or announcements by our competitors; ● adverse market reaction to any increased indebtedness we may incur in the future; ● additions or departures of key personnel; ● actions by shareholders; ● speculation in the media, online forums, or investment community; and ● our intentions and ability to maintain the listing our common shares on NYSE American. An active, liquid trading market for our common shares may not be sustained, which may make it difficult for you to sell the common shares you purchase. We cannot predict the extent to which investor interest in us will sustain a trading market or how active and liquid that market may remain.

If an active and liquid trading market is not sustained, you may have difficulty selling any of our common shares that you purchase at a price above the price you purchase them or at all. The failure of an active and liquid trading market to continue would likely have a material adverse effect on the value of our common shares. An inactive market may also impair our ability to raise capital to continue to fund operations by selling securities and may impair our ability to acquire other companies or technologies by using our securities as consideration. Future sales of our securities may affect the market price of our common shares and result in material dilution. We cannot predict what effect, if any, future sales of our common shares, or the availability of common shares for future sale, will have on the market price of our common shares. Notably, we are obligated to issue ~~110,453, 002,455~~ common shares upon the conversion of our outstanding series A senior convertible preferred shares, ~~37,500, 809,574~~ common shares upon the conversion of our outstanding series ~~B-C~~ senior convertible preferred shares and ~~2,804,320, 678,274~~ common shares upon the conversion of our outstanding series D senior convertible preferred shares and ~~174,186,206~~ common shares issuable upon the exercise of outstanding warrants at a weighted average exercise price of \$ ~~1.00~~ ~~1.64~~ ~~53~~ per share (excluding any decrease to the exercise price and increase in the number of shares as a result of antidilution adjustments contained in certain outstanding warrants). We are also obligated to issue common shares upon the conversion of secured convertible promissory notes in the aggregate principal amount of \$ ~~24,220, 349,819, 796,184~~, which are convertible into our common shares at a conversion price of ~~equal \$ 1.00 (subject to adjustment), upon the conversion~~ ~~lowest daily volume weighted price~~ of promissory notes in the aggregate principal amount of \$ 834,242, which are convertible into our common shares only upon an event of default at a conversion price equal to 80% of the lowest volume weighted average price of our common shares on any trading day during the ~~5-five~~ trading days prior to the conversion (date, subject to ~~adjustment~~) a floor price of \$ 1.00, and upon the conversion of 20% OID subordinated promissory notes in the aggregate principal amount of \$ 2,109,375, which are convertible into our common shares only upon an event of default at a conversion price equal to 90% of the lowest volume weighted average price of our common shares on any trading day during the 5 trading days prior to the conversion date, subject to a floor price of \$ 3.00. In addition, we are obligated to issue common shares upon the exchange of promissory notes in the aggregate principal amount of \$ 2,520,345, which are exchangeable for our common shares at an exchange price equal to the higher of \$ 1,000 or the 30-day volume weighted average price of our common shares. We have also reserved ~~205,000~~, 000 common shares for issuance under our 2023 Equity Incentive Plan. Sales of substantial amounts of our common shares in the public market, or the perception that such sales could occur, could materially adversely affect the market price of our common shares and may make it more difficult for you to sell your common shares at a time and price which you deem appropriate. Rule 144 sales in the future may have a depressive effect on our share price. All of the outstanding common shares held by the present officers, directors, and affiliate shareholders are “restricted securities” within the meaning of Rule 144 under the Securities Act of 1933, as amended, or the Securities Act. As restricted shares, these shares may be resold only pursuant to an effective registration statement or under the requirements of Rule 144 or other applicable exemptions from registration under the Securities Act and as required under applicable state securities laws. Rule 144 provides in essence that a person who is an affiliate or officer or director who has held restricted securities for six months may, under certain conditions, sell every three months, in brokerage transactions, a number of shares that does not exceed the greater of 1.0% of a company’s outstanding common shares. There is no limitation on the amount of restricted securities that may be sold by a non-affiliate after the owner has held the restricted securities for a period of six months if our company is a current reporting company under the Exchange Act. A sale under Rule 144 or under any other exemption from the Securities Act, if available, or pursuant to subsequent registration of common shares of present shareholders, may have a depressive effect upon the price of the common shares in any market that may develop. Our series A senior convertible preferred shares and, series ~~B-C~~ senior convertible preferred shares and series D senior convertible preferred shares are senior to our common shares as to distributions and in liquidation, which could limit our ability to make distributions to our common shareholders. Holders of our series A senior convertible preferred shares are entitled to quarterly dividends, payable in cash or in common shares, at a rate per annum of ~~29~~ ~~24.0~~ % of the stated value (\$ 2.42 per share) and, holders of our series ~~B-C~~ senior convertible preferred shares are entitled to quarterly accruing dividends, payable in cash upon conversion or liquidation in common shares, at a rate per annum of ~~24.6~~ ~~0~~ % of the stated value (\$ ~~3-10~~ ~~30-00~~ per share) ~~, subject to adjustment~~ and holders of our series D senior convertible preferred shares are entitled to ~~adjustment~~ accruing dividends, payable upon conversion or liquidation, at a rate per annum of 10.0% of the stated value (\$ 0.339 per share). In addition, upon any liquidation of our company or its subsidiaries, each holder of outstanding series A senior convertible preferred shares will be entitled to receive ~~and~~ an amount of cash equal to 115% of the stated value, plus an amount of cash equal to all accumulated accrued and unpaid dividends thereon (whether or not declared), and each holder of outstanding series ~~B-C~~ senior convertible preferred shares and series D senior convertible preferred shares will be entitled to receive an amount of cash equal to ~~115-100~~ % of the stated value, plus an amount of cash equal to all accumulated accrued and unpaid dividends thereon (whether or not declared), ~~all~~ before any payment shall be made to or set apart for the holders of our common shares. This could limit our ability to make regular distributions to our common shareholders or distributions upon liquidation. We may issue additional debt and equity securities, which are senior to our common shares as to distributions and in liquidation, which could materially adversely affect the market price of our common shares. In the future, we may attempt to increase our capital resources by entering into additional debt or debt-like financing that is secured by all or up to all of our assets, or issuing debt or equity securities, which could include issuances of commercial paper, medium-term notes, senior notes, subordinated notes or shares. In the event of our liquidation, our lenders and holders of our debt securities would receive a distribution of our available assets before distributions to our shareholders. Any additional preferred securities, if issued by our company, may have a preference with respect to distributions and upon liquidation, which could further limit our ability to make distributions to our common shareholders. Because our decision to incur debt and issue securities in our future offerings will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings and debt financing. Further, market conditions could require us to

accept less favorable terms for the issuance of our securities in the future. Thus, you will bear the risk of our future offerings reducing the value of your common shares and diluting your interest in us. In addition, we can change our leverage strategy from time to time without approval of holders of our common shares, which could materially adversely affect the market share price of our common shares. Our potential future earnings and cash distributions to our shareholders may affect the market price of our common shares. Generally, the market price of our common shares may be based, in part, on the market's perception of our growth potential and our current and potential future cash distributions, whether from operations, sales, acquisitions or refinancings, and on the value of our businesses. For that reason, our common shares may trade at prices that are higher or lower than our net asset value per share. Should we retain operating cash flow for investment purposes or working capital reserves instead of distributing the cash flows to our shareholders, the retained funds, while increasing the value of our underlying assets, may materially adversely affect the market price of our common shares. Our failure to meet market expectations with respect to earnings and cash distributions and our failure to make such distributions, for any reason whatsoever, could materially adversely affect the market price of our common shares. Were our common shares to be considered penny stock, and therefore become subject to the penny stock rules, U. S. broker- dealers may be discouraged from effecting transactions in our common shares. Our common shares may be subject to the penny stock rules under the Exchange Act. These rules regulate broker- dealer practices for transactions in " penny stocks. " Penny stocks are generally equity securities with a price of less than \$ 5. 00 per share. The penny stock rules require broker- dealers that derive more than 5 % of their customer transaction revenues from transactions in penny stocks to deliver a standardized risk disclosure document that provides information about penny stocks, and the nature and level of risks in the penny stock market, to any non- institutional customer to whom the broker- dealer recommends a penny stock transaction. The broker- dealer must also provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker- dealer and its salesperson and monthly account statements showing the market value of each penny stock held in the customer' s account. The bid and offer quotations and the broker- dealer and salesperson compensation information must be given to the customer orally or in writing prior to completing the transaction and must be given to the customer in writing before or with the customer' s confirmation. In addition, the penny stock rules require that prior to a transaction, the broker and / or dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser' s written agreement to the transaction. The transaction costs associated with penny stocks are high, reducing the number of broker- dealers who may be willing to engage in the trading of our common shares. These additional penny stock disclosure requirements are burdensome and may reduce all the trading activity in the market for our common shares. As long as our common shares are subject to the penny stock rules, holders of our common shares may find it more difficult to sell their shares. Holders of our common shares may not be entitled to a jury trial with respect to claims arising under our operating agreement, which could result in less favorable outcomes to the plaintiffs in any such action. Our operating agreement governing our common shares provides that, to the fullest extent permitted by law, holders of our common shares waive the right to a jury trial of any claim they may have against us arising out of or relating to our operating agreement, including any claim under the U. S. federal securities laws. If we opposed a jury trial demand based on the waiver, the court would determine whether the waiver was enforceable based on the facts and circumstances of that case in accordance with the applicable state and federal law. To our knowledge, the enforceability of a contractual pre- dispute jury trial waiver in connection with claims arising under the federal securities laws has not been finally adjudicated by the United States Supreme Court. However, we believe that a contractual pre- dispute jury trial waiver provision is generally enforceable, including under the laws of the State of Delaware, which govern our operating agreement, by a federal or state court in the State of Delaware, which has non- exclusive jurisdiction over matters arising under the operating agreement. In determining whether to enforce a contractual pre- dispute jury trial waiver provision, courts will generally consider whether a party knowingly, intelligently and voluntarily waived the right to a jury trial. We believe that this is the case with respect to our operating agreement. It is advisable that you consult legal counsel regarding the jury waiver provision before entering into the operating agreement. If you or any other holders or beneficial owners of our common shares bring a claim against us in connection with matters arising under our operating agreement, including claims under federal securities laws, you or such other holder or beneficial owner may not be entitled to a jury trial with respect to such claims, which may have the effect of limiting and discouraging lawsuits against us. If a lawsuit is brought against us under our operating agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different outcomes than a trial by jury would have, including results that could be less favorable to the plaintiffs in any such action. Nevertheless, if this jury trial waiver provision is not permitted by applicable law, an action could proceed under the terms of the operating agreement with a jury trial. No condition, stipulation or provision of the operating agreement serves as a waiver by any holder or beneficial owner of our common shares or by us of compliance with the U. S. federal securities laws and the rules and regulations promulgated thereunder.

**ITEM 1B. UNRESOLVED STAFF COMMENTS. Not applicable.**

**ITEM 1C. CYBERSECURITY. Risk Management and Strategy We recognize the critical importance of developing, implementing, and maintaining robust cybersecurity measures to safeguard our information systems and protect the confidentiality, integrity, and availability of our data. We have developed the following processes as part of our strategy for assessing, identifying, and managing material risks from cybersecurity threats. Managing Material Risks & Integrated Overall Risk Management We have integrated cybersecurity risk management into our risk management processes. This integration is intended to ensure that cybersecurity considerations are part of our decision- making processes. We continuously evaluate and address cybersecurity risks in alignment with our business objectives and operational needs. Engaging Third- parties on Risk Management Recognizing the complexity and evolving nature of cybersecurity threats, we plan to engage external experts, including consultants and auditors, in evaluating and testing our risk management systems. These services will enable us to leverage specialized knowledge and insights, ensuring our cybersecurity strategies and processes remain at the forefront of industry best practices. Our collaboration with these**

third- parties is expected to include annual audits, ongoing threat assessments, and regular consultations on security enhancements. Overseeing Third- Party Risk Because we are aware of the risks associated with third- party service providers, we implement processes to oversee and manage these risks. We conduct thorough security assessments of all third- party providers before engagement and maintain ongoing monitoring to ensure compliance with our cybersecurity standards. This approach is designed to mitigate risks related to data breaches or other security incidents originating from third parties. Risks from Cybersecurity Threats We have not encountered cybersecurity challenges that have materially affected or are reasonably likely to materially affect us, including our business strategy, results of operations, or financial condition. Governance Board of Directors Oversight Our board of directors oversees the management of risks associated with cybersecurity threats. Management's Role Managing Risk Management is primarily responsible for assessing, monitoring and managing our cybersecurity risks. Management must ensure that all industry standard cybersecurity measures are functioning as required to prevent or detect cybersecurity threats and related risks. Management oversees and tests our compliance with standards, remediates known risks, and leads our employee training program. Monitoring Cybersecurity Incidents Management is continually informed about the latest developments in cybersecurity, including potential threats and innovative risk management techniques. Management implements and oversees processes for the regular monitoring of our information systems. This includes the deployment of industry- standard security measures and regular system audits to identify potential vulnerabilities. In the event of a cybersecurity incident, management will implement an incident response plan. This plan includes immediate actions to mitigate the impact and long- term strategies for remediation and prevention of future incidents. Reporting to Board of Directors Significant cybersecurity matters, and strategic risk management decisions, will be escalated to the board of directors.

**ITEM 2. PROPERTIES.** Our principal office is located at 260 Madison Avenue, 8th Floor, New York, NY 10016. We entered into an office service agreement with Regus Management Group, LLC for use of office space at this location effective January 22, 2013. Under the agreement, in exchange for our right to use the office space at this location, we are required to pay a monthly fee of \$ 210 (excluding taxes). Kyle's is headquartered at 10849 W. Emerald St. Boise, ID 83713, where it leases a 6, 600 square foot facility that includes corporate offices, administration, production floor, warehouse, and employee areas. On September 1, 2020, Kyle's entered into an industrial lease agreement with Stephen Mallatt, Jr. and Rita Mallatt, the sellers of Kyle's. The lease is for a term of five years, with an option for a renewal term of five years, and provides for a base rent of \$ 7, 000 per month for the first 12 months, which will increase to \$ 7, 210 for months 13- 16 and to \$ 7, 426 for months 37- 60. In addition, Kyle's is responsible for all taxes, insurance and certain operating costs during the lease term. The lease agreement contains customary events of default, representations, warranties and covenants. On June 9, 2021, Kyle's entered into a lease agreement for an additional facility located at 11193 W. Emerald St. Boise, ID 83713. The facility consists of 9, 530 square feet of office and warehouse space. The lease commenced on January 1, 2022 and is for a term of 62 months, with an option for a renewal term of five years, and provides for a base rent of \$ 3, 336 for months 3- 4 (with no payments for the first two months), with gradual increases to \$ 7, 508 for final year. In addition, Kyle's is responsible for its proportionate share of all taxes, insurance and certain operating costs during the lease term. The lease agreement contains customary events of default, representations, warranties and covenants. Innovative Cabinets is headquartered at 875 East Patriot Boulevard, Suite 280, Reno, NV 89511, where it leases a 24, 000 square foot facility, consisting of warehouse and production space. The term of the lease commenced on January 1, 2021 and is for a period of 61 months. The base rent is \$ 15, 600 for 2021, with gradual increases to \$ 18, 085 for 2026. In addition, Innovative Cabinets is responsible for its proportionate share of all taxes, insurance and certain operating costs during the lease term. The lease agreement contains customary events of default, representations, warranties and covenants. CMD is headquartered at 4495 Delancey Drive, Las Vegas, NV 89103, where it leases a 15, 000 square foot facility that includes corporate offices, administration, production floor, warehouse, and employee areas. On December 16, 2024, 1847 CMD entered into a lease agreement with Delancey LLC relating to this property and another located at 4485 Delancey Drive, Las Vegas, NV 89103. The lease expires on December 31, 2029, with options for renewals for two (2) additional five (5) year periods, and provides for a base rent of \$ 20, 000 per month, which shall increase annually by an amount equal to three percent (3 %) of the previous year's base rent. In addition, 1847 CMD is responsible for all taxes, insurance and certain operating costs during the lease term. The lease agreement contains customary events of default, representations, warranties and covenants. CMD also leases a property located at 2421 East Gowan Road, North Las Vegas, Nevada 89030. This facility consists of 15, 288 square feet of office and warehouse space. On December 16, 2024, 1847 CMD entered into a lease agreement for this property with CD Gowan LLC. The lease expires on December 31, 2029, with options for renewals for two (2) additional five (5) year periods, and provides for a base rent of \$ 15, 000 per month, which shall increase annually by an amount equal to three percent (3 %) of the previous year's base rent. In addition, 1847 CMD is responsible for all taxes, insurance and certain operating costs during the lease term. The lease agreement contains customary events of default, representations, warranties and covenants. Wolo is located at 1 Saxwood St., Deer Park, NY 11729. This 10, 000 square foot facility houses our offices, production space and stored inventory. The term of the lease for this space commenced in 1978 and has been extended numerous times. Pursuant to the latest amendment entered into in April 2022, the lease expires on July 31, 2025 and provides for a monthly rent of \$ 7, 518 for the first year, with scheduled annual increases. The lease agreement contains customary events of default, representations, warranties, and covenants. We believe that all our properties have been adequately maintained, are generally in good condition, and are suitable and adequate for our businesses.

**ITEM 3. LEGAL PROCEEDINGS.** From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are not

currently aware of any such legal proceedings or claims that we believe will have a material adverse effect on our business, financial condition or operating results. ITEM 4. MINE SAFETY DISCLOSURES. PART II ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES. Market Information Our common shares are listed for trading on NYSE American under the symbol "EFSH." Number of Holders of Our Common Shares As of March 28, 2025, there were approximately 86 shareholders of record of our common shares. In computing the number of holders of record of our common shares, each broker- dealer and clearing corporation holding shares on behalf of its customers is counted as a single shareholder. Securities Authorized for Issuance Under Equity Compensation Plans Please see Item 12 " Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters. " Dividend Policy Holders of our series A senior convertible preferred shares are entitled to dividends at a rate per annum of 24.0 % of the stated value of \$ 2.42 per share (subject to adjustment). Dividends shall accrue from day to day, whether or not declared, and shall be cumulative. Dividends shall be payable quarterly in arrears on each dividend payment date in cash or common shares at our discretion. Dividends payable in common shares shall be calculated based on a price equal to eighty percent (80 %) of the volume weighted average price for the common shares on our principal trading market during the five (5) trading days immediately prior to the applicable dividend payment date; provided that if our common shares are not registered, any dividends payable in common shares shall be calculated based upon the fixed price of \$ 1.57; and provided further that we may only elect to pay dividends in common shares based upon such fixed price if the volume weighted average price for the common shares on our principal trading market during the five (5) trading days immediately prior to the applicable dividend payment date is \$ 1.57 or higher. Holders of our series C senior convertible preferred shares are entitled to dividends at a rate per annum of 6.0 % of the stated value of \$ 10.00 per share. Dividends shall accrue from day to day, whether or not declared, and shall be cumulative. Dividends shall be payable only upon conversion or upon liquidation of our company. Holders of our series D senior convertible preferred shares are entitled to dividends at a rate per annum of 10.0 % of the stated value of \$ 0.339 per share. Dividends shall accrue from day to day, whether or not declared, and shall be cumulative. Dividends shall be payable only upon conversion or upon liquidation of our company. We plan to make regular distributions on our outstanding common shares, subject to our operating subsidiaries generating sufficient cash flow to support such regular cash distributions. Our distribution policy will be based on the liquidity and capital of our businesses and on our intention to pay out as distributions to our shareholders most of the cash resulting from the ordinary operation of the businesses, and not to retain significant cash balances in excess of what is prudent for our company or our businesses, or as may be prudent for the consummation of attractive acquisition opportunities. If our strategy is successful, we expect to maintain and increase the level of regular distributions to common shareholders in the future. The declaration and payment of any distribution to our common shareholders will be subject to the approval of our board of directors. Our board of directors will take into account such matters as general business conditions, our financial condition, results of operations, capital requirements and any contractual, legal and regulatory restrictions on the payment of distributions by us to our shareholders or by our subsidiaries to us, and any other factors that the board of directors deems relevant. However, even if our board of directors were to decide to declare and pay distributions, our ability to pay such distributions may be adversely impacted due to unknown liabilities, government regulations, financial covenants of our debt, funds needed for acquisitions and to satisfy short- and long- term working capital needs of our businesses, or if our operating subsidiaries do not generate sufficient earnings and cash flow to support the payment of such distributions. In particular, we may incur debt in the future to acquire new businesses, which debt will have substantial debt commitments, which must be satisfied before we can make distributions. These factors could affect our ability to continue to make distributions to our common shareholders. We may use cash flow from our operating subsidiaries, capital resources, including borrowings under any third- party credit facilities that we establish, or reduction in equity to pay a distribution. See " Material U. S. Federal Income Tax Considerations " included in our prospectus, dated October 28, 2024 and filed with the SEC on October 30, 2024, for more information about the tax treatment of distributions to our shareholders. Recent Sales of Unregistered Securities We have not sold any equity securities during the 2024 fiscal year that were not previously disclosed in a quarterly report on Form 10- Q or a current report on Form 8- K that was filed during the 2024 fiscal year. Purchases of Equity Securities No repurchases of our common shares were made during the fourth quarter of 2024. ITEM 6. [ RESERVED ] ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS. The following discussion and analysis summarizes the significant factors affecting our operating results, financial condition, liquidity and cash flows as of and for the periods presented below. The following discussion and analysis should be read in conjunction with our financial statements and the related notes thereto included elsewhere in this report. The discussion contains forward- looking statements that are based on the beliefs of management, as well as assumptions made by, and information currently available to, management. Actual results could differ materially from those discussed in or implied by forward- looking statements as a result of various factors, including those discussed below and elsewhere in this report, particularly in the sections titled " Risk Factors " and " Special Note Regarding Forward- Looking Statements. " Overview We are an acquisition holding company focused on acquiring and managing a group of small businesses, which we characterize as those that have an enterprise value of less than \$ 50 million, in a variety of different industries headquartered in North America. Through our structure, we offer investors an opportunity to participate in the ownership and growth of a portfolio of businesses that traditionally have been owned and managed by private equity firms, private individuals or families, financial institutions or large conglomerates. We believe that our management and acquisition strategies will allow us to achieve our goals to make and grow regular distributions to our common shareholders and increase common shareholder value over time.

We seek to acquire controlling interests in small businesses that we believe operate in industries with long-term macroeconomic growth opportunities, and that have positive and stable earnings and cash flows, face minimal threats of technological or competitive obsolescence and have strong management teams largely in place. We believe that private company operators and corporate parents looking to sell their businesses will consider us to be an attractive purchaser of their businesses. We make these businesses our majority-owned subsidiaries and actively manage and grow such businesses. We expect to improve our businesses over the long term through organic growth opportunities, add-on acquisitions and operational improvements. Recent Developments Amendment to Operating Agreement On March 11, 2025, our manager entered into an amendment to our operating agreement to increase the number of common shares that we are authorized to issue from 500 million shares to 2 billion shares. Warrant Exchange As described below, on October 30, 2024, we issued series A warrants to certain investors, most of which were exercised shortly after issuance. On March 11, 2025, the exercise price of the remaining series A warrants was reduced to \$ 0. 81 per share, with a corresponding increase in the number of series A warrants. Following this adjustment, the number of series A warrants outstanding was increased to 632, 990, with each series A warrant exercisable for two common shares, or an aggregate of 1, 265, 980 common shares. Following the adjustment, a holder exercised 193, 348 series A warrants for 386, 696 common shares, or the Exercised Shares. Accordingly, an aggregate of 439, 642 series A warrants remained outstanding, or the Remaining Warrants. On March 25, 2025, we entered into cancellation and exchange agreements with the holders of the Remaining Warrants and the Exercised Shares, pursuant to which such holders agreed to exchange the Remaining Warrants and the Exercised Shares for an aggregate of 1, 027 series F convertible preferred shares. In connection with the cancellation and exchange agreements, on March 25, 2025 we executed a share designation to establish the terms of the series F convertible preferred shares, or the Share Designation. Pursuant to the Share Designation, we designated 1, 027 of our preferred shares as series F convertible preferred shares with a stated value of \$ 1, 000 per share. Following is a summary of the material terms of the series F convertible preferred shares: Ranking. The series F convertible preferred shares rank, with respect to the payment of dividends and the distribution of assets upon liquidation, (i) senior to all common shares, allocation shares, series C preferred shares, series D preferred shares and each other class or series that is not expressly made senior to or on parity with the series F convertible preferred shares; (ii) on parity with each other class or series that is not expressly subordinated or made senior to the series F convertible preferred shares; and (iii) junior to the series A senior convertible preferred shares, all indebtedness and other liabilities with respect to assets available to satisfy claims against us and each other class or series that is expressly made senior to the series F convertible preferred shares. Dividend Rights. Holders of series F convertible preferred shares are entitled to receive dividends, when, as and if declared on the common shares, pari passu with the holders of common shares, on an as-converted basis. Liquidation Rights. Subject to the rights of creditors and the holders of any senior securities or parity securities (in each case, as defined in the Share Designation), upon any liquidation of our company, before any payment or distribution of the assets of our company (whether capital or surplus) shall be made to or set apart for the holders of junior securities (as defined in the Share Designation), each holder of outstanding series F convertible preferred shares shall be entitled to receive an amount of cash equal to 100 % of the stated value (\$ 1, 000 per share). If, upon any liquidation, the assets, or proceeds thereof, distributable among the holders of the series F convertible preferred shares shall be insufficient to pay in full the preferential amount payable to the holders of the series F convertible preferred shares and liquidating payments on any other shares of any class or series of parity securities as to the distribution of assets on any liquidation, then such assets, or the proceeds thereof, shall be distributed among the holders of series F convertible preferred shares and any such other parity securities ratably in accordance with the respective amounts that would be payable on such series F convertible preferred shares and any such other parity securities if all amounts payable thereon were paid in full. Voting Rights. The series F convertible preferred shares do not have any voting rights; provided that, so long as any series F convertible preferred shares are outstanding, we shall not, and shall not permit any of our subsidiaries to, directly or indirectly, without the affirmative vote of the holders of a majority of the then outstanding series F convertible preferred shares, (a) amend our certificate of formation or operating agreement in any manner that adversely affects any rights of the holders of the series F convertible preferred shares or alter or amend the Share Designation, (b) authorize or create any class of shares ranking as to dividends, redemption or distribution of assets upon a liquidation senior to, or otherwise pari passu with, the series F convertible preferred shares, or (c) enter into any agreement with respect to any of the foregoing. Conversion Rights. Each series F convertible preferred share shall be convertible, at the option of the holder thereof, at any time and from time to time, into such number of fully paid and nonassessable common shares determined by dividing the stated value (\$ 1, 000 per share) by the conversion price of \$ 0. 1549 per share. The conversion price is subject to standard adjustments in the event of any share splits, share combinations, share reclassifications, dividends paid in common shares, sales of substantially all of our assets, mergers, consolidations or similar transactions, as well as for subsequent issuances of common shares, or securities convertible into or exercisable or exchangeable for common shares, at a price below the then conversion price; provided that a holder shall not be entitled to utilize a conversion price of less than \$ 0. 01 (subject to standard adjustments for share splits, share combinations, recapitalizations and similar transactions). Notwithstanding the foregoing, the aggregate number of common shares that we may issue upon conversion of the series F convertible preferred shares is limited to 5, 385, 291 shares (equal to 19. 99 % of our outstanding common shares prior to entry into the cancellation and exchange agreements) prior to obtaining shareholder approval of the issuance of all common shares that may be issued upon conversion of the series F convertible preferred shares, in accordance with NYSE American rules. Furthermore, we shall not effect any conversion of the series F convertible preferred shares, and a holder shall not have the right to convert any portion of the series F convertible preferred shares, to the extent that, after giving effect to the conversion, such holder

(together with such holder's affiliates) would beneficially own in excess of 4.99 % of the number of common shares outstanding immediately after giving effect to the issuance of common shares issuable upon conversion. This limitation may be waived (up to a maximum of 9.99 %) by the holder in its sole discretion upon not less than sixty-one (61) days' prior notice to us. Other Rights. Holders of series F convertible preferred shares have no redemption, preemptive or subscription rights for additional securities of our company. Management Fees On April 15, 2013, we and our manager entered into a management services agreement, pursuant to which we are required to pay our manager a quarterly management fee equal to 0.5 % of our adjusted net assets for services performed (which we refer to as the parent management fee). The amount of the parent management fee with respect to any fiscal quarter is (i) reduced by the aggregate amount of any management fees received by our manager under any offsetting management services agreements with respect to such fiscal quarter, (ii) reduced (or increased) by the amount of any over- paid (or under- paid) parent management fees received by (or owed to) our manager as of the end of such fiscal quarter, and (iii) increased by the amount of any outstanding accrued and unpaid parent management fees. We did not expense any parent management fees for the years ended December 31, 2024 and 2023. Following the assignment of all of the assets of Asien's on February 26, 2024 as described under " — Discontinued Operations " below, our manager ceased to provide services to 1847 Asien for quarterly management fees. 1847 Asien expensed management fees of \$ 50, 000 and \$ 300, 000 for the years ended December 31, 2024 and 2023, respectively, which is included in discontinued operations. On August 21, 2020, 1847 Cabinet entered into an offsetting management services agreement with our manager, which was amended on October 8, 2021. Pursuant to the amended management services agreement, our manager will provide certain services to 1847 Cabinet in exchange for a quarterly management fee equal to the greater of \$ 125, 000 or 2 % of adjusted net assets (as defined within the amended management services agreement). 1847 Cabinet expensed management fees of \$ 375, 000 and \$ 500, 000 for the years ended December 31, 2024 and 2023, respectively, of which \$ 125, 000 is included in discontinued operations for the years ended December 31, 2024 and 2023 due to the sale of High Mountain described under " — Discontinued Operations " below. On March 30, 2021, 1847 Wolo entered into an offsetting management services agreement with our manager. Pursuant to the management services agreement, our manager will provide certain services to 1847 Wolo in exchange for a quarterly management fee equal to the greater of \$ 75, 000 or 2 % of adjusted net assets (as defined within the management services agreement). 1847 Wolo expensed management fees of \$ 300, 000 for the years ended December 31, 2024 and 2023. Following the foreclosure sale of all of the assets of ICU Eyewear on August 5, 2024 as described under " — Discontinued Operations " below, our manager ceased to provide services to 1847 ICU for quarterly management fees. 1847 ICU expensed management fees of \$ 175, 000 and \$ 225, 000 for the years ended December 31, 2024 and 2023, respectively, which is included in discontinued operations. On December 16, 2024, 1847 CMD entered into an offsetting management services agreement with our manager. Pursuant to the management services agreement, our manager will provide certain services to 1847 CMD in exchange for a quarterly management fee equal to the greater of \$ 75, 000 or 2 % of adjusted net assets (as defined within the management services agreement). In addition, if the aggregate amount of management fees paid or to be paid to our manager under the offsetting management services agreements, exceeds, or is expected to exceed, 9.5 % of our gross income in any fiscal year or the parent management fee in any fiscal quarter, then the management fee to be paid by such entities shall be reduced, on a pro rata basis determined by reference to the other management fees to be paid to our manager under other offsetting management services agreements. On a consolidated basis, for the year ended December 31, 2024, we expensed total management fees from continued operations and discontinued operations of \$ 2, 267, 000 and \$ 350, 000, respectively. For the year ended December 31, 2023, we expensed total management fees from continued operations and discontinued operations of \$ 633, 333 and \$ 691, 667, respectively. Segments Following the divestitures described under " — Discontinued Operations " below, we now have two reportable segments: • The construction segment provides finish carpentry and related products and services, including doors, frames, trim, hardware, millwork, cabinetry, and specialty construction accessories. • The automotive supplies segment provides horn and safety products (including electric, air, truck, marine, motorcycle, and industrial equipment) as well as vehicle emergency and safety warning lights for cars, trucks, industrial equipment, and emergency vehicles. We report all other business activities that are not reportable in the corporate services segment. We provide general corporate services to our segments; however, these services are not considered when making operating decisions and assessing segment performance. The corporate services segment includes costs associated with executive management, financing activities and other public company- related costs. On February 26, 2024, Asien's entered into a general assignment for the benefit of its creditors with SG Service Co., LLC. Pursuant to the assignment, Asien's transferred ownership of all or substantially all of its right, title, and interest in, as well as custody and control of, its assets to SG Service Co., LLC in trust. Following the assignment, we retained no financial interest in Asien's. Accordingly, the results of operations of Asien's are reported as discontinued operations for the years ended December 31, 2024 and 2023. Our company was a limited guarantor of the Loan Agreement that was entered into on September 11, 2023 between the ICU Lender, 1847 ICU and ICU Eyewear. Pursuant to the Loan Agreement, the ICU Lender had a security interest in all the assets of ICU Eyewear. ICU Eyewear was in default under the Loan Agreement and consented to a foreclosure by the ICU Lender and private sale of substantially all of its assets in an Article 9 sale process, pursuant to Section 9- 610 of the Uniform Commercial Code as in effect in the State of New York and Section 9- 610 of the Uniform Commercial Code as in effect in the State of California. On August 5, 2024, ICU Eyecare Solutions Inc., an entity that is not affiliated with our company, was the successful bidder with a cash bid of \$ 4, 250, 000. Pursuant to an agreement, dated August 5, 2024, and in consideration for such purchase price, the ICU Lender having foreclosed on its security interest in all of the assets of ICU Eyewear then conveyed all of its rights, title, and interest in all of such assets to ICU Eyecare Solutions Inc.

Following the sale, we retained no financial interest in ICU Eyewear. Accordingly, the results of operations of ICU Eyewear are reported as discontinued operations for the years ended December 31, 2024 and 2023. On September 30, 2024, we entered into an asset purchase agreement with BFS and High Mountain, pursuant to which we sold substantially all of the assets of High Mountain to BFS for an aggregate cash only purchase price of \$ 17, 000, 000, subject to certain pre- closing and post- closing adjustments. At closing, the purchase price was subject to a working capital adjustment and was also reduced by the amount of outstanding indebtedness repaid at closing or assumed by BFS, as well as certain transaction expenses. Additionally, the purchase price was reduced by \$ 1, 358, 968, net of certain post- closing adjustments. Following the sale, we retained no financial interest in High Mountain. Accordingly, the results of operations of High Mountain are reported as discontinued operations for the years ended December 31, 2024 and 2023. The following table sets forth key components of our results of operations during the years ended December 31, 2024 and 2023, both in dollars and as a percentage of our revenues. Years Ended December 31, 2024 2023 Amount % of Revenues Amount % of Revenues Revenues \$ 15, 710, 330 100. 0 % \$ 14, 190, 135 100. 0 % Operating expenses Cost of revenues 7, 937, 588 50. 5 % 7, 637, 496 53. 8 % Personnel 6, 538, 872 41. 6 % 4, 990, 561 35. 2 % Depreciation and amortization 655, 658 4. 2 % 1, 162, 295 8. 2 % General and administrative 5, 000, 843 31. 8 % 3, 272, 333 23. 1 % Professional fees 6, 896, 438 43. 9 % 2, 378, 190 16. 8 % Impairment of goodwill and intangible assets 679, 175 4. 3 % 10, 456, 087 73. 7 % Total operating expenses 27, 708, 574 176. 4 % 29, 896, 962 210. 7 % Loss from operations (11, 998, 244) (76. 4) % (15, 706, 827) (110. 7) % Other income (expense) Other income (expense) (1, 263, 983) (8. 0) % 12, 611 0. 1 % Gain on disposal of property and equipment 13, 000 0. 1 %-- Interest expense (4, 262, 224) (27. 1) % (4, 628, 194) (32. 6) % Amortization of debt discounts (9, 047, 721) (57. 6) % (4, 232, 231) (29. 8) % Loss on extinguishment of debt (4, 709, 793) (30. 0) %-- Loss on change in fair value of warrant liabilities (77, 638, 662) (494. 2) % (27, 900) (0. 2) % Gain on change in fair value of derivative liabilities 1, 401, 373 8. 9 % 385, 138 2. 7 % Total other expense (95, 508, 010) (607. 9) % (8, 490, 576) (59. 8) % Net loss from continuing operations before income taxes (107, 506, 254) (684. 3) % (24, 197, 403) (170. 5) % Income tax provision 702, 000 4. 5 % 209, 000 1. 5 % Net loss from continuing operations \$ (106, 804, 254) (679. 8) % \$ (23, 988, 403) (169. 0) % Total revenues. Our total revenues were \$ 15, 710, 330 for the year ended December 31, 2024, as compared to \$ 14, 190, 135 for the year ended December 31, 2023. The construction segment generates revenue through the sale of finished carpentry and related products and services. Revenues from the construction segment increased by \$ 2, 321, 335, or 24. 1 %, to \$ 11, 960, 884 for the year ended December 31, 2024 from \$ 9, 639, 549 for the year ended December 31, 2023. The increase in revenues was primarily attributed to an increase in new multi- family projects and an increase in the average customer contract value. The automotive supplies segment generates revenue through the design and sale of horn and safety products (electric, air, truck, marine, motorcycle and industrial equipment), including vehicle emergency and safety warning lights for cars, trucks, industrial equipment and emergency vehicles. Revenues from the automotive supplies segment decreased by \$ 801, 140, or 17. 6 %, to \$ 3, 749, 446 for the year ended December 31, 2024 from \$ 4, 550, 586 for the year ended December 31, 2023. The decrease in revenues was primarily attributed to working capital constraints on inventory. Cost of revenues. Our total cost of revenues was \$ 7, 937, 588 for the year ended December 31, 2024, as compared to \$ 7, 637, 496 for the year ended December 31, 2023. Cost of revenues for the construction segment consists of finished goods, lumber, hardware and materials and plus direct labor and related costs, net of any material discounts from vendors. Cost of revenues for the construction segment increased by \$ 956, 944, or 21. 3 %, to \$ 5, 439, 723 for the year ended December 31, 2024 from \$ 4, 482, 779 for the year ended December 31, 2023. Such increase was primarily attributed to the corresponding increase in revenues. As a percentage of construction revenues, cost of revenues for the construction segment was 45. 5 % and 46. 5 % for the years ended December 31, 2024 and 2023, respectively. Cost of revenues for the automotive supplies segment consists of the costs of purchased finished goods plus freight and tariff costs. Cost of revenues for the automotive supplies segment decreased by \$ 656, 852, or 20. 8 %, to \$ 2, 497, 865 for the year ended December 31, 2024 from \$ 3, 154, 717 for the year ended December 31, 2023. Such decrease was primarily attributed to the corresponding decrease in revenues. As a percentage of automotive supplies revenues, cost of revenues for the automotive supplies segment was 66. 6 % and 69. 3 % for the years ended December 31, 2024 and 2023, respectively. Personnel costs. Personnel costs include employee salaries and bonuses plus related payroll taxes. It also includes health insurance premiums, 401 (k) contributions, and training costs. Our total personnel costs were \$ 6, 538, 872 for the year ended December 31, 2024, as compared to \$ 4, 990, 561 for the year ended December 31, 2023. Personnel costs for the construction segment increased by \$ 752, 966, or 24. 7 %, to \$ 3, 805, 928 for the year ended December 31, 2024 from \$ 3, 052, 962 for the year ended December 31, 2023. Such increase was primarily attributed to increased employee headcount as a result of increased revenues and corporate wage allocations. As a percentage of construction revenue, personnel costs for the construction segment were 31. 8 % and 31. 7 % for the years ended December 31, 2024 and 2023, respectively. Personnel costs for the automotive supplies segment increased by \$ 17, 507, or 1. 9 %, to \$ 934, 895 for the year ended December 31, 2023 from \$ 917, 388 for the year ended December 31, 2023. Such increase was primarily attributed to increased benefit costs. As a percentage of automotive supplies revenues, personnel costs for the automotive supplies segment were 24. 9 % and 20. 2 % for the years ended December 31, 2024 and 2023, respectively. Personnel costs for the corporate services segment increased by \$ 777, 838, or 76. 2 %, to \$ 1, 798, 049 for the year ended December 31, 2024 from \$ 1, 020, 211 for the year ended December 31, 2023. Such increase was primarily attributed to increased benefit costs and accrued management bonuses and wages. Depreciation and amortization. Our total depreciation and amortization expense decreased by \$ 506, 637, or 43. 6 %, to \$ 655, 658 for the year ended December 31, 2024 from \$ 1, 162, 295 for the year ended December 31, 2023. Such decrease was primarily as a result of impairments of intangible assets. General and administrative expenses. Our general and administrative expenses consist primarily of insurance expense, rent expense, management fees, advertising,

bank fees, bad debt allowances, and other general expenses incurred in connection with general operations. Our total general and administrative expenses were \$ 5, 000, 843 for the year ended December 31, 2024, as compared to \$ 3, 272, 333 for the year ended December 31, 2023. General and administrative expenses for the construction segment increased by \$ 272, 590, or 18. 5 %, to \$ 1, 745, 773 for the year ended December 31, 2024 from \$ 1, 473, 183 for the year ended December 31, 2023. Such increase was primarily attributed to increased revenues, along with increases in rent and office expenditures. As a percentage of construction revenue, general and administrative expenses for the construction segment were 14. 6 % and 15. 3 % for the years ended December 31, 2024 and 2023, respectively. General and administrative expenses for the automotive supplies segment decreased by \$ 82, 879, or 8. 7 %, to \$ 865, 115 for the year ended December 31, 2024 from \$ 947, 994 for the year ended December 31, 2023. Such decrease was primarily attributed to decreased office expenditures. As a percentage of automotive supplies revenue, general and administrative expenses for the automotive supplies segment were 23. 1 % and 20. 8 % for the years ended December 31, 2024 and 2023, respectively. General and administrative expenses for the corporate services segment increased by \$ 1, 538, 799, or 180. 8 %, to \$ 2, 389, 955 for the year ended December 31, 2024 from \$ 851, 156 for the year ended December 31, 2023. Such increase was primarily attributed to management fees from the sale of High Mountain that entitles our manager to receive a 20 % profit allocation and a transaction fee of 2. 0 % from the sale of High Mountain and purchase of CMD, offset by decreased software and office expenditures. Professional fees. Our total professional fees were \$ 6, 896, 438 for the year ended December 31, 2024, as compared to \$ 2, 378, 190 for the year ended December 31, 2023. Professional fees for the construction segment decreased by \$ 39, 282, or 25. 5 %, to \$ 114, 731 for the year ended December 31, 2024 from \$ 154, 013 for the year ended December 31, 2023. Such decrease was primarily attributed to decreased consulting fees. As a percentage of construction revenue, professional fees for the construction segment were 1. 0 % and 1. 6 % for the years ended December 31, 2024 and 2023, respectively. Professional fees for the automotive supplies segment increased by \$ 25, 790, or 13. 1 %, to \$ 222, 360 for the year ended December 31, 2024 from \$ 196, 570 for the year ended December 31, 2023. Such increase was primarily attributed to increased consulting fees. As a percentage of automotive supplies revenue, professional fees for the automotive supplies segment were 5. 9 % and 4. 3 % for the years ended December 31, 2024 and 2023, respectively. Professional fees for our holding company increased by \$ 4, 531, 740, or 223. 5 %, to \$ 6, 559, 347 for the year ended December 31, 2024 from \$ 2, 027, 607 for the year ended December 31, 2023. Such increase was primarily attributed to increased legal fees, consulting fees, investor relations, and other public company related fees. Additionally, during 2024 we prepaid \$ 2. 5 million in non-recurring consulting and investor relations fees using the proceeds from the public offering of common shares and pre-funded warrants described below. Impairment of goodwill and intangible assets. For the year ended December 31, 2024, we recorded impairments of goodwill and intangible assets of \$ 679, 175, as compared to \$ 10, 456, 087 for the year ended December 31, 2023. Total other income (expense). We had \$ 95, 508, 010 in total other expense, net, for the year ended December 31, 2024, as compared to other expense, net, of \$ 8, 490, 576 for the year ended December 31, 2023. Other expense, net, for the year ended December 31, 2024 consisted of a loss on change in fair value of warrant liabilities of \$ 77, 638, 662, amortization of debt discounts of \$ 9, 047, 721, a loss on extinguishment of debt of \$ 4, 709, 793, interest expense of \$ 4, 262, 224 and other expense of \$ 1, 263, 983, offset by a gain on change in fair value of derivative liabilities of \$ 1, 401, 373 and a gain on disposal of property and equipment of \$ 13, 000, while other expense, net, for the year ended December 31, 2023 consisted of interest expense of \$ 4, 628, 194, amortization of debt discounts of \$ 4, 232, 231 and a loss on change in fair value of warrant liabilities of \$ 27, 900, offset by a gain on change in fair value of derivative liabilities of \$ 385, 138 and other income of \$ 12, 611. Income tax provision. We had an income tax benefit of \$ 702, 000 and \$ 209, 000 for the years ended December 31, 2024 and 2023, respectively. Net loss from continuing operations. As a result of the cumulative effect of the factors described above, our net loss from continuing operations was \$ 106, 804, 254 for the year ended December 31, 2024, as compared to \$ 23, 988, 403 for the year ended December 31, 2023. As of December 31, 2024, we had cash and cash equivalents of \$ 2, 502, 450 and restricted cash of \$ 1, 358, 968. To date, we have financed our operations primarily through revenue generated from operations, cash proceeds from financing activities, borrowings, and equity contributions by our shareholders. Management plans to address the above as needed by, securing additional bank lines of credit, and obtaining additional financing through debt or equity transactions. Management has implemented tight cost controls to conserve cash. The ability of our company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and to eventually attain profitable operations. The accompanying consolidated financial statements do not include any adjustments that might be necessary if our company is unable to continue as a going concern. If our company is unable to obtain adequate capital, it could be forced to cease operations. We believe additional funds are required to execute our business plan and our strategy of acquiring additional businesses. The funds required to execute our business plan will depend on the size, capital structure and purchase price consideration that the seller of a target business deems acceptable in a given transaction. The amount of funds needed to execute our business plan also depends on what portion of the purchase price of a target business the seller of that business is willing to take in the form of seller notes or our equity or equity in one of our subsidiaries. We will seek growth as funds become available from cash flow, borrowings, additional capital raised privately or publicly, or seller retained financing. Our primary use of funds will be for future acquisitions, public company expenses including regular distributions to our shareholders, investments in future acquisitions, payments to our manager pursuant to the management services agreement, potential payment of profit allocation to our manager and potential put price to our manager in respect of the allocation shares it owns. The management fee, expenses, potential profit allocation and potential put price are paid before distributions to shareholders and may be significant and exceed the funds we hold, which may require us to dispose of assets or incur debt to fund such expenditures. See Item 1 “ Business — Our Manager

” for more information concerning the management fee, the profit allocation and put price. The amount of management fee paid to our manager by us is reduced by the aggregate amount of any offsetting management fees, if any, received by our manager from any of our businesses. As a result, the management fee paid to our manager may fluctuate from quarter to quarter. The amount of management fee paid to our manager may represent a significant cash obligation. In this respect, the payment of the management fee will reduce the amount of cash available for distribution to shareholders. Our manager, as holder of 100 % of our allocation shares, is entitled to receive a twenty percent (20 %) profit allocation as a form of preferred equity distribution, subject to an annual hurdle rate of eight percent (8 %), as follows. Upon the sale of a subsidiary, our manager will be paid a profit allocation if the sum of (i) the excess of the gain on the sale of such subsidiary over a high- water mark plus (ii) the subsidiary’s net income since its acquisition by us exceeds the 8 % hurdle rate. The 8 % hurdle rate is the product of (i) a 2 % rate per quarter, multiplied by (ii) the number of quarters such subsidiary was held by us, multiplied by (iii) the subsidiary’s average share (determined based on gross assets, generally) of our consolidated net equity (determined according to GAAP, with certain adjustments). In certain circumstances, after a subsidiary has been held for at least 5 years, our manager may also trigger a profit allocation with respect to such subsidiary (determined based solely on the subsidiary’s net income since its acquisition). The amount of profit allocation may represent a significant cash payment and is senior in right to payments of distributions to our shareholders. Therefore, the amount of profit allocation paid, when paid, will reduce the amount of cash available to us for our operating and investing activities, including future acquisitions. See Item 1 “ Business — Our Manager — Our Manager as an Equity Holder — Manager’s Profit Allocation ” for more information on the calculation of the profit allocation. Our operating agreement also contains a supplemental put provision, which gives our manager the right, subject to certain conditions, to cause us to purchase the allocation shares then owned by our manager upon termination of the management services agreement. The amount of put price under the supplemental put provision is determined by assuming all of our subsidiaries are sold at that time for their fair market value and then calculating the amount of profit allocation would be payable in such a case. If the management services agreement is terminated for any reason other than our manager’s resignation, the payment to our manager could be as much as twice the amount of such hypothetical profit allocation. As is the case with profit allocation, the calculation of the put price is complex and based on many factors that cannot be predicted with any certainty at this time. See Item 1 “ Business — Our Manager — Our Manager as an Equity Holder — Supplemental Put Provision ” for more information on the calculation of the put price. The put price obligation, if our manager exercises its put right, will represent a significant cash payment and is senior in right to payments of distributions to our shareholders. Therefore, the amount of put price will reduce the amount of cash available to us for our operating and investing activities, including future acquisitions.

**Summary of Cash Flow** The following table provides detailed information about our net cash flow for the period indicated: For the Years Ended December 31, 2024 2023 Net cash used in operating activities from continuing operations \$ (14, 635, 636) \$ (8, 023, 584) Net cash provided by (used in) investing activities from continuing operations 891, 802 (27, 843) Net cash provided by financing activities from continuing operations 16, 931, 807 7, 863, 654 Net change in cash and cash equivalents from continuing operations 3, 187, 973 (187, 773) Cash and cash equivalents and restricted cash from continuing operations at beginning of year 673, 445 861, 218 Cash and cash equivalents and restricted cash from continuing operations at end of year \$ 3, 861, 418 \$ 673, 445 Net cash used in operating activities from continuing operations was \$ 14, 635, 636 for the year ended December 31, 2024, as compared to \$ 8, 023, 584 for the year ended December 31, 2023. Significant factors affecting the increase in net cash used in operating activities from continuing operations were primarily a result of the increased net loss, decreased contract liabilities and accounts payable, and increased receivables, partially offset by expenses, and decreased inventories and prepaid expenses. Net cash provided by investing activities from continuing operations was \$ 891, 802 for the year ended December 31, 2024, as compared to net cash used in investing activities from continuing operations of \$ 27, 843 for the year ended December 31, 2023. The increase in the net cash provided by investing activities from continuing operations was primarily a result of the proceeds received from the sale of High Mountain, offset by the purchase of CMD during 2024. Net cash provided by financing activities from continuing operations was \$ 16, 931, 807 for the year ended December 31, 2024, as compared to \$ 7, 863, 654 for the year ended December 31, 2023. The increase in the net cash provided by financing activities from continuing operations was primarily a result of increased proceeds from public and private offerings, offset by increased debt repayments.

**Public Offering of Common Shares and Pre- Funded Warrants** On February 9, 2024, we entered into a securities purchase agreement with certain purchasers and a placement agency agreement with Spartan Capital Securities, LLC, or Spartan, as placement agent, pursuant to which we agreed to issue and sell to such purchasers an aggregate of 9, 364 common shares and prefunded warrants for the purchase of 16, 280 common shares (all of which were exercised during the year ended December 31, 2024) at an offering price of \$ 195. 00 per common share and \$ 193. 05 per prefunded warrant, pursuant to our effective registration statement on Form S- 1 (File No. 333- 276670). On February 14, 2024, the closing of this offering was completed. At the closing, the purchasers prepaid the exercise price of the prefunded warrants in full. Therefore, we received total gross proceeds of \$ 5, 000, 000. Pursuant to the placement agency agreement, Spartan received a cash transaction fee equal to 8 % of the aggregate gross proceeds and reimbursement of certain out- of- pocket expenses. After deducting these and other offering expenses, we received net proceeds of approximately \$ 4. 4 million.

**Public Offering of Units** On October 28, 2024, we entered into a securities purchase agreement with certain purchasers and a placement agency agreement with Spartan, as placement agent, relating to our public offering of units. Pursuant to the securities purchase agreement and the placement agency agreement, we agreed to issue and sell to the purchasers an aggregate of 587, 306 units, at a purchase price of \$ 18. 90 per unit, for total gross proceeds of approximately \$ 11. 1 million, pursuant to our registration statement on Form S- 1

(File No. 333- 282201) under the Securities Act. On October 30, 2024, the closing of the offering was completed. Pursuant to the placement agency agreement, Spartan received a cash transaction fee equal to 8 % of the aggregate gross proceeds, a non- accountable expense allowance equal to 1 % of the aggregate gross proceeds and reimbursement of certain out- of- pocket expenses. After deducting these expenses, we received net proceeds of approximately \$ 9. 9 million. The units are comprised of (i) 587, 306 common shares, (ii) series A warrants to purchase 587, 306 common shares at an exercise price of \$ 28. 50 per share (which was subsequently adjusted to 8, 558, 723 shares at an exercise price of \$ 1. 50 in accordance with certain adjustment provisions contained in the series A warrants) and (iii) series B warrants to purchase 587, 306 common shares at an exercise price of \$ 37. 80 per share (which was subsequently adjusted to 14, 799, 979 shares at an exercise price of \$ 1. 50 in accordance with certain adjustment provisions contained in the series B warrants). Please see Exhibit 4. 1 to this report for a description of the terms of these warrants. Private Placement of Units On December 13, 2024, we entered into a securities purchase agreement with certain purchasers and a placement agreement with Spartan, as placement agent, pursuant to which we agreed to issue and sell to the purchasers an aggregate of 42, 311, 118 units, at a purchase price of \$ 0. 27 per unit, for total gross proceeds of approximately \$ 11. 42 million. On December 16, 2024, the closing of this private placement was completed. Pursuant to the placement agreement, Spartan received a cash transaction fee equal to 8 % of the aggregate gross proceeds, a non- accountable expense allowance equal to 1 % of the aggregate gross proceeds and reimbursement of certain out- of- pocket expenses. After deducting these and other offering expenses, we received net proceeds of approximately \$ 10. 2 million, all of which were used to pay the cash portion of the purchase price for the acquisition of CMD. The units are comprised of (i) 3, 437, 210 common shares and pre- funded warrants for the purchase of 38, 873, 908 common shares, (ii) series A warrants to purchase 42, 311, 118 common shares at an exercise price of \$ 0. 81 per share and (iii) series B warrants to purchase 42, 311, 118 common shares at an exercise price of \$ 0. 54 per share. Please see Exhibit 4. 1 to this report for a description of the terms of these warrants. Debt The following table shows aggregate figures for our total debt that is coming due in the short and long term as of December 31, 2024. For a complete description of the terms of our outstanding debt, please see Notes 14, 15 and 16 to our consolidated financial statements included elsewhere in this report. Short- Term Long- Term

Total Debt	Notes Payable	Vehicle loans	\$ 44, 894	\$ 8, 530	\$ 53, 424	CMD seller promissory note	1, 050, 000- 1, 050, 000	6 %	Subordinated promissory note	500, 000- 500, 000	Purchase and sale of future revenues loan	1, 237, 950- 1, 237, 950	12 %	subordinated promissory note for services	500, 000- 500, 000	20 %	OID subordinated promissory notes	3, 217, 932- 3, 217, 932	25 %	OID subordinated promissory note	1, 455, 600- 1, 455, 600	Total notes payable	8, 006, 376	8, 530	8, 014, 906	Less: debt discounts (220, 465)- (220, 465)	Total notes payable, net	7, 785, 911	8, 530	7, 794, 441	Related Party Notes Payable	Related party promissory note	578, 290- 578, 290	Convertible Notes Payable	Secured convertible promissory notes	23, 074, 286- 23, 074, 286	Less: debt discounts (985, 137)- (985, 137)	Total convertible notes payable, net	22, 089, 149- 22, 089, 149	Finance Leases	Financing leases	182, 043	423, 198	605, 241	Combined total debt	\$ 31, 840, 995	\$ 431, 728	\$ 32, 272, 723	Less: combined debt discounts (1, 205, 602)- (1, 205, 602)	Combined total debt, net	\$ 30, 635, 393	\$ 431, 728	\$ 31, 067, 121	Contractual Obligations
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